

University of Alberta Library



0 1620 2429 0494

current
problems

progress



M.A. ANDREYEV

**Overseas Chinese
Bourgeoisie —
A Peking Tool
in Southeast Asia**



M.A. ANDREYEV

Overseas Chinese Bourgeoisie — A Peking Tool in Southeast Asia

INTRODUCTION	1
Chapter I: CHINESE CAPITALISM IN SOUTHEAST ASIA	15
1. Volume of Investments of the Chinese Bourgeoisie in Southeast Asia	15
2. Role Played by the Overseas Chinese Bourgeoisie in Southeast Asia's Economy	21
Chapter II: BASIS OF THE ALLIANCE BETWEEN PEKING AND THE OVERSEAS CHINESE BOURGEOISIE	38
Chapter III: PEKING EXPLOITS SOUTHEAST ASIA	55
1. Nature of the Relationship to China	55
2. Family Relationships to Relatives in China	58
3. Investments in China's Economy	62
4. Other Forms of Economic Relations	71
5. Scale of the Relationship to China	79
Chapter IV: IN VIOLATION OF NATIONAL SOVEREIGNTY	125
1. Legal Obstacles to Chinese Investments in China	127
2. Extra-Legal Obstacles to Chinese Investments in China	142
CONCLUSION	158



PROGRESS PUBLISHERS
MOSCOW

UNIVERSITY LIBRARY
UNIVERSITY OF ALBERTA

Translated from the Russian by *David Skvirsky*

М. А. АНДРЕЕВ
ЗАРУБЕЖНАЯ КИТАЙСКАЯ БУРЖУАЗИЯ —
ОРУДИЕ ПЕКИНА В ЮГО-ВОСТОЧНОЙ АЗИИ

На английском языке

First printing 1975

© Издательство «Прогресс», 1974

© Translation into English. Progress Publishers 1975

Printed in the Union of Soviet Socialist Republics

A $\frac{11104-907}{014(01)-75}$ 88-75

UNIVERSITY LIBRARY
UNIVERSITY OF ALBERTA

CONTENTS

INTRODUCTION	7
Chapter I. CHINESE CAPITAL IN THE ECONOMY OF SOUTHEAST ASIA	15
1. Volume of Investments of the Chinese Bourgeoisie in Southeast Asia	15
2. Role Played by the Overseas Chinese Bourgeoisie in Southeast Asia's Economy	30
Chapter II. BASIS OF THE ALLIANCE BETWEEN PEKING AND THE OVERSEAS CHINESE BOURGEOISIE	58
Chapter III. PEKING EXPLOITS SOUTHEAST ASIA	85
1. Nature of the Remittances to China	85
2. Family Remittances to Relatives in China	93
3. Investments in China's Economy	102
4. Other Forms of Economic Relations	114
5. Scale of the Remittances to China	119
Chapter IV. IN VIOLATION OF NATIONAL SOVEREIGNTY	125
1. Legal Channels for Remittances to China	127
2. Extra-Legal Channels of Remittances to China	142
CONCLUSION	158
NOTES AND REFERENCES	175

INTRODUCTION

The present is a crucial period for Southeast Asia. The return of the People's Republic of China to the world scene has affected the system of international relations in that area.

In the Asian capitals it is considered as generally recognised that Peking's re-emergence on the Asian political scene following the "cultural revolution" appreciably changes the balance of strength in Asia and poses the Southeast Asian countries with serious problems. China's new policy, Peking's disappointing debut in the United Nations and the Nixon visit to the PRC, where not only bilateral Sino-American relations were discussed, have shown that relative to her southern neighbours China is pursuing mercenary, Great-Power aims.

This compounds the situation in Southeast Asia, where international imperialism is using all the means at its disposal in an effort to strangle the national liberation movement.

Southeast Asia remains an area of acute contradictions and conflicts of interests between several major powers. The old colonial powers (Britain, the Netherlands and France) have no intention of reconciling themselves to the weakening of their influence in the former colonies, and in cases where they leave these former colonies, they do so only to remain in the countries of that area and continue the exploitation of their peoples by new methods. US imperialism lays claim to the role of leader and co-ordinator

of international imperialism's collective efforts to stabilise capitalism in Asian developing countries and, at the same time, seeks to become the dominant power in that area. In recent years Japan has been carrying out a programme of broad economic expansion in Southeast Asia in order to achieve by peaceful means the objectives she had sought to attain by war. Australia, too, is displaying an interest in the political and economic development of her northern neighbours.

Besides the above-mentioned countries, the People's Republic of China is also openly laying claim to a leading role in that area. Mass emigration from China and the natural increment of the Chinese communities have brought the Chinese minority in the Southeast Asian countries to 13 million and this gives the PRC a unique means of influencing socio-economic development in these countries. In view of national fragmentation, the unresolved nationality question, the economic weakness of the local bourgeoisie and the disproportionately large influence wielded by the Chinese bourgeoisie in the economy of the countries of that area, the Chinese minorities, particularly the exploiting elements in these minorities, have become an important factor of the economic and political life of Southeast Asia. The fact that a considerable section of the Chinese minorities, including the exploiting elements in them, is oriented politically towards Peking and prepared to implement the latter's guidelines in Southeast Asia gives China's present leadership an effective instrument for influencing Southeast Asia's future development. The activation of Peking's foreign policies over the past few years leaves no doubt regarding the PRC leadership's intention of utilising this factor, too, in carrying out its Great-Power designs in Southeast Asia.

Ominous signs of trends toward eroding China's socialist basis and activating the remnants of the exploiting classes in that country appeared in the PRC's internal and external policies during the latter half of the 1950s. The Maoist concept of "new democracy" accords a very prominent place to the bourgeoisie in China's political system. According to this concept, the bourgeoisie is part of the "dictatorship of the people" along with the workers, the peasants and

the petty bourgeoisie. In practice this signifies that in China to this day over one million people wear the "cap of the capitalist", in other words, that they receive an unearned income in the shape of a fixed interest on their property and that the bourgeoisie has its own political organisations. With regard to the overseas Chinese bourgeoisie, too, the Mao group founds its relations on principles of capitalist enterprise and co-operates with it by no means with the purpose of strengthening socialism in China.

Like the overseas Chinese bourgeoisie, the remnants of the exploiting classes in China are gradually finding common grounds with the Mao group. This circumstance is taken into account by the overseas Chinese bourgeoisie, which feels that it can form an alliance with Peking, realising that Mao Tse-tung's departure from the principles of socialism provides a solid class basis for such an alliance.

This deformation of the socialist basis also predetermines the degeneration of the very foundations of China's foreign policy. Abandoning its defence of socialism's achievements, its efforts to end international tension, its consistent struggle against international imperialism and its support for progressive movements in the capitalist countries, China's foreign policy has now slid into open social-chauvinism pursuing Great-Power, nationalistic aims. The present objective of Chinese diplomacy is to enhance China's influence on world politics. Peking uses the contradictions between the world socialist community and the world capitalist system and ignores the class incompatibility of the two systems in its drive to become a global power in the modern world, including the developing world of young independent states. In implementing its foreign policy Peking does not shun any means: in Southeast Asia it counts heavily, among other factors, on the assistance of the overseas Chinese bourgeoisie.

During the first years of her existence as a socialist state, China did not threaten the new states in Southeast Asia. On the contrary, she helped them to achieve political independence. But today she is quite obviously a menace to neighbouring states. "China has abandoned her revolutionary posture and is purely interested in protecting and expanding Chinese national interests,"¹ declared S. Rajaratnam, Sin-

gapore's Minister for Foreign Affairs and for Labour. The content of China's attitude to Asian problems is determined by the expansionist Great-Han policy of territorial "acquisitions" and the ruthless suppression of all dissidents. In Asia China comes forward as an aggressive power that acts on the right of the strong to have a zone of priority influence. Pronouncements by the Maoists have made it clear that they regard almost the whole of Southeast Asia in the sphere of Chinese influence.

China is now breaking out of the cocoon of long international semi-isolation. She is getting more possibilities for the achievement of her expansionist designs in Southeast Asia, strives to obtain first-hand information about the plans and potentialities of the USA, her main rival in Asia, and, where there is the appropriate basis, to come to an amicable agreement with it at the expense of the Asian peoples.

Emigration to the South Seas countries has always been an essential component of China's southward expansion. Peking continues its attempts to use the Chinese minorities in Southeast Asia, particularly the economically influential exploiting elements in these communities. Suffice it to recall the recent "cultural revolution", during which the Mao group endeavoured to spread that "revolution" to the international scene. Naturally, these attempts were made in Hongkong, Burma and Cambodia, which have large Chinese minorities. According to the plans of the Maoists, these minorities were to be the detonator sparking the "cultural revolution" outside China.

In future, when Peking is broadly involved in Asian affairs and restores diplomatic relations with the countries of Southeast Asia it plans to use its influence among the Chinese minorities, particularly the Chinese bourgeoisie, to attain its Great-Power designs in Southeast Asia.

Some foreign experts believe that the overseas Chinese may be regarded as a potential fifth column, as the vanguard of Chinese political expansion in the southeast of the Asian continent.

This brings into focus the question of the economic and political potentialities of the Chinese bourgeoisie in Southeast Asia and also the problem of the post-war relations

between that bourgeoisie and Peking. An analysis of these far from academic questions is the subject of this book.

In this analysis the author deals with the exploiting elements of the Chinese minorities in Southeast Asia and not with the Chinese minorities as a whole. He feels he must emphasise that his conclusions and assessments concern only the Chinese bourgeoisie and may under no circumstances be applied to the working Chinese living in the countries of that area. According to available estimates, the exploiting elements comprise only 5-10 per cent of these Chinese minorities. They and their activities are the sole subject of this study. The author's approach to the overseas Chinese bourgeoisie is determined not by the fact that it is Chinese but by the fact that it is a bourgeoisie. The class interests of the working people and the exploiting elements of the Chinese communities are in conflict, although as national minorities they have common problems in their relations with the local population.

Chinese communities and Chinese capital are scattered throughout the world, but they have become a major factor of socio-economic development only in Southeast Asia. In that area are concentrated nearly 95 per cent of all the overseas Chinese, who form leading national minorities in all the countries of the region without exception. The bulk of overseas Chinese capital is invested in that area. There the social environment has proved to be most favourable for the successful activities of the Chinese bourgeoisie, who have built up a preponderance of strength for themselves in the competition with the local bourgeoisie and use this circumstance to derive big profits. All the major centres of the investments of the Chinese bourgeoisie are in Southeast Asia and in the adjoining area. This gives it the possibility of easily manoeuvring with its capital and regrouping its forces depending on the situation in the host countries. The geographical factor contributes to the maintenance of special economic contacts between the Chinese bourgeoisie and the PRC, in which both sides are interested.

The geographical framework of this analysis is, therefore, limited mainly to Southeast Asia. It is only when the analysis covers the overseas Chinese bourgeoisie's economic relations with foreign countries that the author touches on some

aspects of China's economy, for without a study of these aspects it is impossible to arrive at a correct assessment of the character of the PRC's relations with Chinese capital in Southeast Asia.

A few words on terms. Some of the terms used in foreign literature on the Chinese question in Southeast Asia require special reservations. The term "Chinese emigration" is widespread. Prior to the war, when large numbers of Chinese regularly emigrated to neighbouring countries, this term was justified. After the war, when the countries of that area halted this process and about 70 per cent of the present Chinese communities were born in their countries of residence the use of this term leads to errors. It creates the impression that China continues to participate in the reproduction of the labour reserves of Southeast Asia and has grounds for claiming a certain compensation from the countries of that area. The term "overseas Chinese" mirrors China's traditional approach to the problem of the citizenship of persons of Chinese nationality. In this problem Peking adheres to the "principle of blood" and considers all persons of Chinese nationality as citizens of the PRC regardless of the country of birth or their present citizenship. This approach carries with it innumerable complications in the relations between the Chinese minorities and the local population. The term "Chinese community" gives the impression that the Chinese minorities are socially monolithic and is, therefore, politically harmful and tendentious. The same concerns the term "local Chinese", which in the case of the bourgeoisie ("local Chinese bourgeoisie") may give the wrong impression that the entire Chinese bourgeoisie is part of the local bourgeoisie. We feel that the most accurate term would be "Chinese minority", but even this term is not exact in all cases because, for example, in Singapore people of Chinese nationality comprise over 75 per cent of the population. Official estimates usually belittle the numerical strength of persons of Chinese origin, this being due to the aspiration of the local authorities to blunt the Chinese problem in the Asian countries. Moreover, it is sometimes hard to distinguish members of the Chinese minorities from the local population.

In specialised literature there is an argument over who should be regarded as persons of Chinese nationality in the

Southeast Asian countries. Without going into a lengthy analysis of this argument, the author feels that in Southeast Asia persons belonging to the Chinese minorities are those who are entirely or partially of Chinese origin and maintain lingual, cultural, religious, political and economic ties with the PRC or other centres of Chinese civilisation (Hongkong, Taiwan and Singapore) and thereby associate themselves with these centres regardless of their place of birth or present citizenship. Southeast Asia embraces Burma, Brunei, Indonesia, Cambodia, Laos, Malaysia, Portuguese Timor, Singapore, Thailand, the Philippines and South Vietnam.

Overseas Chinese capital is a unique phenomenon of Asian reality. Its attitude to the various problems of the national liberation movement is extremely contradictory and, as a rule, little studied. To a large extent the expected changes in that area will be determined by the posture adopted by the overseas Chinese bourgeoisie toward the complex problems of Southeast Asia's socio-economic development.

On the other hand, a study of the relations between the overseas Chinese bourgeoisie and the PRC allows the Asian people to make a more accurate assessment of the actual and not propagandised role played by Peking in the national liberation movement of the developing countries in Asia.

CHINESE CAPITAL IN THE ECONOMY OF SOUTHEAST ASIA

1. VOLUME OF INVESTMENTS OF THE CHINESE BOURGEOISIE IN SOUTHEAST ASIA

Although the exploiting elements in the Chinese minorities comprise an insignificant segment of the population of the Southeast Asian countries, they play an important role in the economy of that area. This is due mainly to the large capital controlled by them in the countries of their residence and in other countries. Therefore, to assess the Chinese bourgeoisie's economic potential and its role in the area's economy it is imperative, first and foremost, that the volume of its investments be ascertained.

Before going on to an analysis of this question we must make some reservations specifying the term "Chinese capital".

When they speak of the economic positions of the exploiting elements of the Chinese minorities in Southeast Asia researchers give various meanings to the term "capital". Some take this term to mean the total value of the fortunes of the Chinese emigrants in Southeast Asia, others regard it as identical with the term "investment", and still others identify it with the term "funds" at the disposal of Chinese emigrants. All these interpretations of "capital" have a definite meaning when we analyse individual aspects of the business activity of the Chinese minorities, and in cases where other data is unavailable we shall have to use the data of the proponents of this interpretation of the term "Chinese capital". Naturally, the author interprets this term as self-increasing value. However, today there is very little information about the economic potential of the Chinese bourgeoisie in the Southeast Asian countries, and this makes

it practically impossible to ascertain the exact quantitative characteristic of Chinese capital as self-increasing value. The first attempt in this direction was made by the Japanese researcher Yu Chun-shun, but his assessment was based on the estimates of preceding researchers, who interpreted the term "capital" differently, and is, therefore, not free of certain inaccuracies.¹

Before starting our analysis of the available estimate of the investments of entrepreneurs of Chinese nationality in the economy of the Southeast Asian countries we must make a few more reservations that heighten estimated figures.

First, it must be taken into account that a considerable part of the Chinese capital in Southeast Asia functions in organisational forms founded on individual or, at best, family property. This releases the owners of capital from the duty to submit information on the activities of their enterprises. Due to the absence of sufficiently trustworthy information on the financial aspects of the activity of individual and family enterprises, much of the Chinese capital functioning on an individual or family basis is not included in the available assessments of the volume of Chinese capital.

Second, owing to government restrictions on the activities of local Chinese entrepreneurs, the latter are setting up more and more pseudonational companies that provide the screen for the operation of Chinese capital. This practice has been widespread in the Southeast Asian countries since the Second World War, and firms of this kind have become known as Ali Baba companies, i.e., mixed companies in which the nominal owners are local businessmen (Ali), but the capital and control of the business of these firms is in the hands of Chinese entrepreneurs (Baba). Under these conditions, naturally, an undetermined but very large portion of Chinese capital is concealed behind the signboards of national firms and this accounts for the belittlement of the volume of Chinese capital functioning in the economy of the Southeast Asian countries.

Third, the books are, as a rule, kept in Chinese, which is foreign to the local officials, with the result that this allows belittling the actual taxable incomes of Chinese firms

and reduces the assessments of the volume of the investments of the Chinese bourgeoisie in Southeast Asia.

These reservations must be borne in mind when we analyse the available estimates of the investments of businessmen of Chinese origin in that area.

The volume of these investments was first assessed by the American economist C. F. Remer. While expressing considerable doubt about the possibility of accurately estimating these investments on account of the absence of complete and reliable data, Remer nonetheless made an attempt to assess these investments for the year 1930. In comparing the remittances of profits from investments in China and the remittances of profits from the businesses of Chinese emigrants to China in 1902-13 and 1914-30, Remer noted that "the Chinese colony abroad brings into the Chinese economy about as much as the foreign colony in China with its investments causes to be sent out".² On the basis of this observation the American economist came to the conclusion that the Chinese "have holdings abroad as great as the foreign property which produces outpayments from China".³ Taking into account that in 1930 the foreign investments in business and in securities in China amounted to 3,300 million US dollars, Remer asserts that the similar overseas investments of the Chinese émigrés in the same year may likewise be estimated at 3,300 million US dollars.

The colonialist bias of this estimate is quite patent. The purpose of this method was to give world opinion the impression that the imperialist powers were not exploiting China since remittances of profits from foreign investments in the Chinese economy were allegedly compensated by the flow of remittances to China from the profits of Chinese businessmen in other countries, including the imperialist states.

Even from the technical point of view Remer's method evokes certain objections. In evaluating the volume of the entrepreneur investments of Chinese emigrants he takes for granted that all the profits from their businesses were remitted to China. Yet, it is evident that these remittances comprised only an unstated part of their business profits inasmuch as a certain portion of these profits was inevitably spent on personal consumption, the expansion of operating business

and the creation of new enterprises overseas. Disregard of this fact does not allow explaining not only the substantial expansion of the positions of Chinese capital outside China in subsequent years, but even the physical existence of the exploiting elements among Chinese emigrants. In principle this circumstance corrects our views regarding the volume of profits and of Chinese capital itself toward increasing them in comparison with Remer's estimate and casts even more doubt on the trustworthiness of that estimate. Moreover, Remer omitted to make what, in our view, was a vital comparison between the rates of profit from foreign investments in the Chinese economy and from emigrant investments outside China, a fact that by no means fortifies trust in his evaluation.

It must, thus, be stated that Remer's assessment is very rough and cannot serve as a reliable foundation for determining the economic potential of the exploiting elements among the Chinese minorities in Southeast Asia.

Remer assessed the volume of the business investments of Chinese emigrants for the year 1930 in all countries outside China, but we are interested in the size of these investments only in the countries of Southeast Asia. The facts given in Remer's study allow us to evaluate the volume of Chinese business investments in Southeast Asia for the beginning of the 1930s on the basis of his, Remer's, computations. We know that Remer estimated the business investments of the Chinese emigrants in 1930 as 3,300 million US dollars. On the other hand, he gives us information regarding the share of different countries in the total emigrant remittances to China in 1930 via Hongkong, which in that year handled 90 per cent of all remittances from emigrants. According to this information, 41.5 per cent of all the emigrant remittances that went to China in 1930 via Hongkong were from Malaya, the Dutch East Indies, Siam, the Philippines, French Indochina and Burma, i.e., all the countries that come under the modern term "Southeast Asia". If we assume that the data on the remittances to China via Hongkong are sufficiently representative and, thus, quite accurately show the proportion of emigrant remittances from Southeast Asia, we shall be justified in using this coefficient for an estimate of the volume of Chinese entrepreneur investments in Southeast Asia. In

this case, these investments amounted to 1,370 million US dollars in 1930. Of course, this figure contains all the shortcomings of Remer's assessment. Besides, it must be borne in mind that this estimate was computed on the basis of a coefficient that represents 90 per cent of all emigrant remittances for one year.

That this estimate of Chinese capital in Southeast Asia is questionable is reaffirmed by the Japanese researcher Shozo Fukuda in *The Economy of the Chinese Emigrants* published in 1939. According to his computations, the total value of the fortunes of the entrepreneur circles among the Chinese emigrants in Southeast Asia reached 943 million US dollars in 1930: 280 million US dollars in Malaya and Singapore, 262 million US dollars in Indonesia, 270 million US dollars in Thailand, 109 million US dollars in the Philippines and 22 million US dollars in French Indochina and Burma.⁴

Thus, Fukuda's estimate for 1930 is considerably below Remer's assessment. Moreover, subsequent researchers of this question believe that even Fukuda's estimate is overstated.

In speaking of the assessments of the volume of Chinese business investments in Southeast Asia prior to the Second World War, most researchers favour the valuation of the American economist Helmut G. Callis. In our view, his valuation has two substantial advantages over the assessments of other researchers. First, he gives a fairly realistic picture of the distribution of these investments by countries. Second, his estimate is the last of the colonial period and takes into account many factors that have a direct bearing to the problem we are analysing.

In his quantitative characteristic of Chinese capital in Southeast Asia Callis took into consideration factors such as the economic position of the Chinese bourgeoisie in their country of residence, the numerical strength of the Chinese residing in the countries of the area and their proportion among the local population, the volume of their cash remittances to relatives in China, the ratio between Chinese, on the one hand, and West European and US capital, on the other, in the economy of individual countries in Southeast Asia. However, the fact that Callis does not comprehensively

show the method of his computations but only gives the end results is evidence that he, apparently, did not have all the primary data for an accurate estimate of the volume of Chinese entrepreneur investments in Southeast Asia. In the long run he had to note: "Accurate valuation is impossible, but the general fact is quite certain. The Chinese hold great entrepreneur investments throughout Southeast Asia."⁵

Callis makes his valuation of Chinese investments with certain reservations. He points out that individual and family businesses, whose operations lend themselves to financial control with difficulty, are the main organisational forms of Chinese capital, and for that reason considers his valuation as somewhat understated. Nonetheless, subsequent researchers regard his estimate as one of the most accurate in the pre-war period.

Callis' valuation is interesting from yet another standpoint. He was the first, without going into an analysis of the essence of overseas Chinese capital, to raise the question of the place occupied by Chinese capital in the economy of the Southeast Asian countries by comparing quantitative indicators of Chinese capital with the corresponding figures for West European and US capital. From the point of view of method, this comparison is unjustified for it is not preceded by an effort to ascertain the essence of Chinese capital and its points of distinction from the capital of the imperialist monopolies. But since we are concerned with a purely quantitative characteristic of Chinese capital, it would be in order to say a few words about the place occupied by Chinese capital in the economy of the Southeast Asian countries on the eve of the war in the Pacific, having in mind the certain provisional character of this comparison.

Even Callis' moderate valuation is quite impressive when it is compared with the data on the size of foreign investments in the Southeast Asian countries, which, with the exception of Thailand, were classical colonies ruled by the imperialist monopolies. As early as in the pre-war period solely the registered investments of the Chinese companies were equal to one-sixth of the investments of the imperialist powers in Southeast Asia.

Table 1

Investments of Imperialist Powers and Overseas Chinese in Southeast Asia on the Eve of the Second World War
(mln US dollars)⁶

	Investments of imperialist powers	Investments of overseas Chinese
Indonesia, total	2,264	150
of which:		
Dutch	1,040	
British	200	
US	95	
French	35	
Japanese	12	
German	10	
Italian	10	
British Malaya, total	455	200
of which:		
British	320	
Thailand, total	124	100
of which:		
British and Australian	90-100	
Philippines, total *	376	100
of which:		
US	163	
Spanish	90	
British	35	
Japanese	27	
Burma, total	233	10-15
of which:		
British	200	
Indochina, total	384	80
of which:		
French	370	

* Only entrepreneur investments.

It is symptomatic that in all the countries of that area, with the exception of Indonesia, the Chinese investments were second in size only to the investments of the metropolitan states. In Indonesia they were considerably smaller than the Dutch investments and were somewhat below the level of the British investments. In Thailand, on the other hand,

they were almost equal to all the foreign investments taken together.

An interesting picture is also evoked by a comparison of Chinese entrepreneur investments with those of the leading imperialist powers in the area as a whole. In size they ceded only to the investments of the Netherlands and Britain and were substantially larger than those of the USA, France, Germany, Italy, Japan and Spain. While the Dutch and British investments were about 400 and 210 US million dollars respectively larger than the investments of Chinese businessmen in the area, the latter were in turn 235 and 382 million US dollars larger than the French and US investments.

Lastly, note must be taken of the even distribution of these investments. In this respect the British were the only rivals of the overseas Chinese bourgeoisie. As regards the other imperialist powers, they had strong positions in one or two countries of the area and negligible investments in the other countries.

The comparison of the size of the Chinese and foreign investments in the economy of the Southeast Asian countries on the eve of the Second World War makes it plain that already then Chinese capital was in some respects equal to the investments of the bourgeoisie of the leading colonial powers in the area.

An extremely interesting assessment of the volume of Chinese capital in the economy of the Southeast Asian countries is given in the *UN Economic Survey of Asia and the Far East, 1950*. This assessment is for the period 1946-47, in other words, it is one of the first post-war valuations of the question we are dealing with and allows us to draw conclusions relative to the influence of the military and revolutionary upheavals in Southeast Asia on Chinese business. This valuation (the only one of its kind) is given on the basis of unique information on the operations of individual Chinese firms that was evidently assembled by the Chinese Chambers of Commerce in the countries of the area. Another reason why it may be regarded as quite representative is that by Chinese businessmen it means not only persons who had emigrated from China but also persons born in their country of residence but identifying themselves as Chinese.

Lastly, a point of no little importance is that the valuation covers the capital invested by Chinese businessmen, i.e., a concept close to the understanding of capital as self-increasing value.

Herein lies the merit of this estimate of the volume of Chinese capital. Its weakness is that all the data are given in the national currency of the host country with the result that conversion into hard currency (in the given case—US dollars) inevitably leads to gross distortions, for after the Second World War all the countries of the area were hit by serious inflation and their national currency was devaluated. We feel that in this context the dollar equivalent of this estimate of Chinese capital is considerably exaggerated.

Table 2

Chinese Entrepreneur Investments in the Economy of Southeast Asian Countries in 1946-47⁷

Country	National monetary unit	Invested capital (million national monetary units)	Invested capital (mln US dollars according to the official exchange rate in 1946-47)
1	2	3	4
Singapore	Malay dollar	3,096	1,458
Malaya	Malay dollar	2,296	1,080
Indonesia *	Dutch florin	2,091	1,162
Burma	Burmese rupee	479	144
Thailand	Baht	2,670	268
French Indochina	Piaster	1,828	150
Philippines	Filipino peso	574	285
Total			4,542

* This data is for the pre-war period.

The extent of this exaggeration may be gauged from the following data. If it is borne in mind that at the beginning of 1949 (regrettably, we do not have earlier data) the black market exchange rate of the national currency was $5\frac{1}{2}$ times

below the official exchange rate in Indonesia, by 15 per cent in Cambodia, Laos and Vietnam (then Indochina), by 50 per cent in Malaya and Singapore and by 60 per cent in Thailand, it will be found that when converted into US dollars (by the unofficial exchange rate) the total Chinese entrepreneur investments will diminish to 3,359 million US dollars or by approximately one-fourth.

The assessment made by Yu Chun-shun is unquestionably the most reliable. Its merit is that when Yu Chun-shun studied this question he analysed practically all the available estimates of Chinese capital in Southeast Asia, used extensive additional data to ascertain the impact of the major post-war trends in the economy of the countries of the area on the operation of Chinese capital and made the first ever attempt to assess the volume of Chinese capital as self-increasing value. Also an important aspect of his assessment is that it gives the volume of Chinese capital for 1965, a very difficult task in view of the absence of absolutely trustworthy and detailed information. Moreover, this estimate is representative with respect to the countries investigated by Yu Chun-shun, although he refrained from assessing the volume of Chinese capital in Laos, Cambodia, Sabah, Sarawak and Brunei.

But even Yu Chun-shun warns the reader: "In this paper we have had to have recourse mainly to, if we may be permitted to use the term, a macroanalytical valuation of the total sum of Chinese capital by analysing available assessments of the total capital in the national economy of the host countries, collating them and subjecting them to a further study. In this sense, our valuation of the total Chinese capital is a secondary approximation of the actual state of affairs."⁸ While estimating the total sum of Chinese capital in Southeast Asia at 2,400 million US dollars in 1965 (in 1962 prices) he writes that this total is a "considerable overestimation" of the actual size of that capital. If it is taken into account that Yu Chun-shun estimates the volume of Chinese capital outside China and Taiwan at 3,500 million US dollars, it will be found that at least 68.6 per cent of that sum is in Southeast Asia. The basic estimates of the volume of Chinese capital in the economy of Southeast Asia are given in the table below. There

are some other estimates of the volume of this capital by countries, but they are not considered here on account of their local significance.

Evidently, we should not be surprised by the contradictions in the estimates cited here on Chinese capital functioning in the area. This is, of course, due to the absence of comprehensive and reliable primary data, the different methods of computation, the different interpretations of the term "Chinese capital", the inevitable discrepancies in converting the sums in national currency into a dollar equivalent and the substantial time difference of these valuations.

However, despite the fact that these are contradictory valuations, all authors agree that in Southeast Asia Chinese capital is represented by large sums and plays an extremely active role in the area's economy. It is quite natural that the bulk of Chinese capital is concentrated in countries such as Singapore, Malaysia, Indonesia, Thailand and the Philippines.

However, even Yu Chun-shun's valuation has shortcomings since it does not include all the countries of the region. The Chinese investments in the economy of Cambodia, Laos, Sabah, Sarawak and Brunei (they have been omitted by Yu Chun-shun) are likewise quite large as may be seen from the data for Cambodia.

The Chinese capital invested in Cambodia's economy is at present estimated at from 200 to 400 million US dollars. The Canadian researcher William E. Willmott, in whose book *The Chinese in Cambodia* this estimate is given, used the following facts. At his disposal he had Callis' valuation of these investments in French Indochina. According to Callis, Chinese entrepreneur investments in French Indochina on the eve of the Pacific war totalled roughly 80 million US dollars. Although in those years Cambodia had about one-third of the Chinese minority of that colony, Willmott feels that it would be wrong to estimate the volume of Chinese capital in the regions now forming Cambodia at one-third of the entire sum of these investments in French Indochina. His argument is that most of the Chinese entrepreneurs were in the eastern provinces of French Indochina, while in the territory of present-day Cambodia there were mainly

Chinese Entrepreneur Investments in Southeast Asia⁹

	1930		1939		1946		1948		1956		1960		1965	
	Fukuda valuation		Callis valuation		UN economic survey valuation		Tyuka nenkan valuation		Uchida valuation		Chingchi Taopao valuation		Yu Chun-shun valuation	
	mln dollars	per cent	mln dollars	per cent	mln dollars	per cent	mln dollars	per cent	mln dollars	per cent	mln dollars	per cent	mln dollars	per cent
Southeast Asia, total	943	100.0	645	100.0	4,542	100.0	2,912	100.0	2,967	100.0	3,320	100.0	2,400	100.0
Including:														
Burma			10-15	2.3	144	3.2	100	3.4	101	3.4	70	2.1	50	2.1
Laos			80	12.4	150	3.3	—	—	—	—	—	—	—	—
Cambodia	22	2.3					0.5	—	—	—	150	4.5	50	2.1
South Vietnam														
Indonesia	262	27.8	150	23.3	1,162	25.5	550	18.8	—	—	900	27.1	300	12.5
Federation of Malaya	280	29.7	200	31.0	1,080	23.8	—	—	1,762	59.4	1,200	36.2	1,000	41.8
Singapore					1,453	32.0	—	—						
Thailand	270	28.6	100	15.5	268	5.9	213	7.3	121	4.1	600	18.1	600	25.0
Philippines	409	41.6	100	15.5	285	6.3	287	9.8	287	9.7	400	12.0	400	16.5

M. A. ANDREYEV

Chinese small rural shopkeepers. Taking this as his point of departure, Willmott believes that in the territory of present-day Cambodia Chinese capital did not exceed 20 million US dollars.

Further, Willmott based his calculations on the following considerations. According to the computations made by Professor Naosaku Uchida of Japan, toward the mid-1950s the Chinese investments in Southeast Asia were five times the pre-war figure. Willmott reasonably surmises that the growth rate of the Chinese investments differed substantially in the various countries of the area on account of the differing climate for Chinese entrepreneurs. The civil war in Malaya, the restrictions imposed on the operations of Chinese businessmen in Indonesia and South Vietnam and the withdrawal of Chinese capital from the economy of the Democratic Republic of Vietnam unquestionably stepped up the movement of Chinese capital to countries where it still felt comfortable. Willmott believes that due to the exceptionally favourable situation in the Cambodian economy for foreign investors, more Chinese capital was absorbed by Cambodia during the past decade than by many other countries in Southeast Asia. This belief gave Willmott grounds for assuming that in 1956 Chinese investments in the Cambodian economy totalled somewhere between 100 and 200 million US dollars. This is all the more probable because until recently Cambodia was one of the few countries in Southeast Asia that had normal relations with the People's Republic of China. Further, Willmott asserts that in the decade 1956 through 1965 the basic indicators of that country's economic development show that the Chinese investments had doubled. He therefore considers that at present these investments total from 200 to 400 million US dollars,¹⁰ and that they are closer to 400 million US dollars than to 200 million US dollars.

It may be assumed that the aggregate investments of Chinese capital in the economy of Laos, Sabah, Sarawak and Brunei amount to 300-400 million US dollars. If that is the case it may be asserted with confidence that in the mid-1960s the Chinese investments in Southeast Asia totalled at least 3,000 million US dollars. If it is assumed that in the period 1965 through 1974, the Chinese bourgeoisie reinvested

in the economy of Southeast Asia an average of 120 million US dollars annually out of their profits, it will be found that today the investments of Chinese capital in the area have reached a minimum total of 4,200 million US dollars. More, there are grounds for believing that actually the total is much higher. First, we must bear in mind the reservations we have made at the beginning of this chapter. Second, on account of the uncertain prospects in that area a portion of the Chinese capital is constantly withdrawn from circulation and cannot be traced. Third and last, the devaluation of the American dollar has increased the purely quantitative data of the volume of Chinese investments in their dollar value.

So far we have confined ourselves to the investments of the Chinese bourgeoisie in the economy of the Southeast Asian countries. However, this bourgeoisie has considerable capital in investment centres outside Southeast Asia. In 1950 through 1964, the Chinese bourgeoisie resident in Southeast Asia invested 702,300,000 US dollars in Hongkong, 101,500,000 US dollars in Taiwan, 1,660 million US dollars in China and 194 million US dollars in other countries, while the total sum put by it into overseas investment centres during that period amounted to 2,657,800,000 US dollars. Judging by the regulations operating in Hongkong, Taiwan and elsewhere, the Chinese investors resident in Southeast Asian countries can withdraw their capital from these investment centres at any time, and this, incidentally, is exactly what they are beginning to do. This means that when necessary the Chinese bourgeoisie in Southeast Asia has the means of quickly increasing its investments in the Southeast Asian countries by at least 1,000 million US dollars by withdrawing their investments from the above-mentioned investment centres. Although we cannot include that 1,000 million into the total investments of the Chinese bourgeoisie in the Southeast Asian countries, when we estimate its overall economic potential we must not lose sight of that 1,000 million.

It is much harder to obtain data on the money sent by the overseas Chinese bourgeoisie to China. Most of this money is designated for material assistance to relatives in China and, therefore, much of it is used. However, the

Chinese Government has limited the "consumption" of family remittances in order to accumulate them in the form of long-term bank deposits used by the state. It may be assumed that together with the investment deposits of overseas Chinese investors, this accumulating portion of the family remittances amounts to nearly half of all the money remitted to China. If this is true, when the economic potential of the Chinese bourgeoisie in the Southeast Asian countries is estimated it must be borne in mind that in China it has yet another sum of approximately 1,000 million US dollars, although it cannot withdraw that sum from China.

In the mid-1960s, the Chinese bourgeoisie resident in the Southeast Asian countries thus had business investments in that area amounting to at least 5,000 million US dollars plus foreign assets valued at about 2,000 million US dollars.

The significance of Chinese capital to the economy of the countries of Southeast Asia, evidently, should not be underestimated if only for the fact of its impressive size. In the colonial period this capital was estimated at 645 million US dollars, which was equal to one-sixth of the total investments of the imperialist powers in that area. Today the balance between these groups of entrepreneurs has changed fundamentally.

In the mid-1960s, the investments of the imperialist powers totalled 1,200 million US dollars in Indonesia, 2,200 million US dollars in Malaysia and Singapore, 1,000 million US dollars in the Philippines, over 300 million US dollars in Thailand, 120 million US dollars in Cambodia and 250 million US dollars in South Vietnam.¹¹ Thus, these investments amounted to somewhat over 5,000 million US dollars. It may, consequently, be asserted that together with their foreign assets the investments of the Chinese bourgeoisie in the economy of Southeast Asia are at least equal to or even larger than the aggregate investments of all the imperialist powers in the area. This fact alone introduces major corrections into our picture of the role played by Chinese capital in Southeast Asia's economy.

Chinese capital is a key mainstay of capitalism in the area.

2. ROLE PLAYED BY THE OVERSEAS CHINESE BOURGEOISIE IN SOUTHEAST ASIA'S ECONOMY

The Chinese bourgeoisie holds strong positions in the economy of Southeast Asia.

It has consolidated these positions despite the considerable redistribution of property following the attainment of political independence by the former colonies. In all the countries of the area, with the exception of Burma and, to a lesser extent, the Philippines, it has not only preserved the influence it had enjoyed in the traditional branches of the local economy during the colonial period, but substantially strengthened its positions in some new branches. In most of the Southeast Asian countries today it handles from 60 to 80 per cent of all the internal (wholesale and retail) trade.

In the mid-1960s, it remained in control of much of the foreign trade (42 per cent as against 8 per cent of the state-operated foreign trade organisations, 18 per cent of the local private firms and 32 per cent of the firms of the imperialist powers). Chinese capital is particularly active in the export of farm products and in the import of food and manufactured goods for personal and industrial use with the exception of machines and equipment. The Chinese bourgeoisie traditionally exercises considerable influence in the food processing industry and, since the war, it has been vigorously expanding its participation in new industries supplying the local market, particularly in countries like Singapore, Malaysia, Thailand and the Philippines, where it has relatively favourable conditions for participation in industrial development. In branches of the economy such as agriculture, mining, building, transport and communal services, the position of the Chinese bourgeoisie is not as strong as in foreign and internal trade and the manufacturing industry, but even in these branches it controls a fairly large sector of the operations and is gradually building up its influence. Through the foreign and local Chinese banks and the so-called unorganised credit market, the banking system at the disposal of the Chinese bourgeoisie quite satisfactorily serves the requirements of Chinese businessmen in and outside the countries of Southeast Asia.

To this day the bulk of Chinese capital is in the sphere

of distribution and credit, although since the war there has been a gradual increase of the flow of this capital into production, chiefly into industry. This investment policy of the Chinese bourgeoisie evokes protests from Asian business and official quarters, who want it to contribute more actively to the industrialisation of the countries in which it is resident.

Earlier it was believed that in Southeast Asia Chinese enterprise was fragmented, maintained archaic forms of organisation and had mainly individual and lower forms of associated property. Despite this view, an analysis of the organisational forms of Chinese capital in Southeast Asia shows that in Chinese enterprise the law is laid down by monopoly-type associations, which by various and frequently unusual methods have subordinated and gained control of the operations of most of the Chinese entrepreneurs. The specific character of the concentration and centralisation of Chinese capital in Southeast Asia is manifested mainly in the fact that as an organisational form of enterprise the joint-stock company does not play the part intrinsic to it in the concentration and centralisation of capital in the industrialised capitalist countries. In the process of the concentration of Chinese capital the role of the joint-stock company was usually undertaken in Southeast Asia by the owners of large individual fortunes, who first set up monopoly-type associations (usually a cartel or syndicate) and only then proceeded to create joint-stock companies (usually for the purpose of financial subordination of their fellow Chinese business counterparts), as the initial step towards the formation of a new monopoly-type association on a still broader financial basis.

The number of such monopolies is not as small as is sometimes believed. Moreover, it is quite probable that besides the known Chinese monopoly-type associations there is in the Southeast Asian countries a large number of semi-legal Chinese cartels and syndicates, frequently in the shape of branch associations of Chinese enterprises.

However, it would be a mistake to believe that Chinese business circles are not at all receptive of classical forms of capitalist enterprise. Lately the proportion of joint-stock companies among the newly registered Chinese firms has reached 15, 20 and even 40 per cent in different countries.

From this one can deduce that the Western methods of organising business are appreciated by Chinese businessmen.

The combination of classical and traditional Chinese forms of concentrating and centralising capital is speeding up these processes despite the seeming fragmentation of individual Chinese fortunes.

The process of the concentration and centralisation of Chinese capital has reached a fairly high level and this is stabilising the position of the Chinese bourgeoisie in the Southeast Asian economy and strengthening it as a competitor of the monopoly capital of the imperialist powers and of the local capital of the Asian developing countries.

The principal exponent of capitalist relations of production in Southeast Asia is not a solid bloc but rather a conglomerate of forces with definite contradictions with each other. It consists not of two components (foreign and local capital), as in most of the developing countries, but of three components, one of which is Chinese capital, classified partially as local and partially as foreign, but opposing both the former and the latter by its national affiliation.

The first group consists of representatives of the monopoly capital of Western Europe, the USA, Japan and Australia and it operates in the area as classical foreign capital. In the past this group of the exponents of capitalist relations in Southeast Asia had subjected the peoples of the area to colonial exploitation and had thereby seriously compromised itself in the eyes of Asian public opinion. During the struggle for political and economic independence the countries of the area undermined the Western positions in their economy by redistributing foreign-owned property and by revising the terms for the further operation of Western capital. In principle, Western monopoly capital is losing its influence in the area, and in future it will not be able to consolidate its positions in Southeast Asia on the former basis. Nonetheless, it remains one of the bulwarks of capitalism in the area.

The second group consists chiefly of Chinese capital (and includes the capital of other national minorities, but compared with Chinese capital, its significance to the local economy is immeasurably smaller). In its turn, Chinese capital consists of local and foreign capital, with the latter playing the predominant role. For its character it is quite closely associated

with Western monopoly capital, thereby stabilising the latter's position in the area and drawing from this bloc additional possibilities for its own extended reproduction. At the same time, it continues to refrain from forming a close alliance with local capital. For its volume Chinese capital concedes nothing to Western monopoly capital in the area and for the time being is larger than the investments of the local bourgeoisie in the Southeast Asian economy. The persisting serious contradictions with the local bourgeoisie, the absence of tangible support from China and from the Chiang Kai-shek regime on Taiwan, the close collaboration with Western monopoly capital, the unresolved state of the nationality question in the Southeast Asian countries and the Chinese bourgeoisie's active participation in the exploitation of the people of the area make its economic positions unstable.

Lastly, the third group is formed of local capital. From the financial standpoint this local capital is still weak, but is not as weak as at the time political independence was won by the countries of the area, and in volume it is smaller than each of the first two groups. However, it is developing very swiftly and has good prospects for the future. It has grown considerably as a result of the redistribution of the property of Western monopoly capital and today co-operates with the latter on new and more advantageous terms. Its relations with Chinese capital remain unsettled: there have been very few cases of close co-operation. This gives grounds for believing that in future the local bourgeoisie will seek to use its political influence to round off its fortunes at the expense of the Chinese bourgeoisie. This may either aggravate the relations between them or lead to a compromise with the purpose of stabilising capitalism in Southeast Asia.

The present interaction of these three groups of bourgeoisie still preserves and, perhaps, even temporarily stabilises capitalism's positions in Southeast Asia, but any break in this interaction may lead to a serious crisis of capitalism in the area.

A comparison of the size of local, imperialist monopoly and Chinese capital in the economy of Southeast Asia introduces marked changes into the existing notions that Chinese

capital plays an auxiliary role in the economy of the Asian developing states.

In the mid-1960s, the investments of the imperialist monopolies in the economy of Southeast Asia were somewhat above 5,000 million US dollars. It may be asserted that together with its overseas assets, the investments of the Chinese bourgeoisie in the area's economy rival the aggregate investments of the imperialist powers. Whereas in the colonial period the ratio between the imperialist monopolies and Chinese capital in the economy of Southeast Asia was 6 : 1 in favour of the former, in the mid-1960s, the ratio was close to 1 : 1. Thus, in one of the most generalised indicators of economic influence the Chinese bourgeoisie has, since the war, overtaken imperialist monopoly capital and today competes with it on an equal footing in the area's economy.

The desirability of a similar comparison of the balance of strength between Chinese and local capital in the area is obvious, but no data is available on the total investments of the local bourgeoisie in the economy of the Asian developing countries. However, indirect data on the correlation of investments, the number of controlled enterprises and the volume of the transactions between the local and Chinese bourgeoisie in various branches of the economy of the Southeast Asian countries gives grounds for declaring that for its economic potential the Chinese bourgeoisie is not inferior to the local bourgeoisie, while in a number of branches it continues to be confidently in the lead.

In the conglomerate of forces representing and upholding capitalist relations of production in the Southeast Asian countries, the Chinese bourgeoisie occupies an equal if not a leading position compared with that of the local bourgeoisie and foreign monopoly capital.

It is much harder to classify the nature and essence of the Chinese capital functioning in Southeast Asia.

The essence of this capital is not an abstract question. It is a question of the strategy and tactics of the world revolutionary movement, particularly of the national liberation movement.

Bourgeois economists classify Chinese capital as "domestic", alleging that it took shape entirely on local soil without

any influx of funds from without and that it does not enjoy the right of repatriating or remitting profits although it belongs to aliens. For all its outward academism the theory about the "domestic" character of Chinese capital in the area carries with it a heavy political intonation, and this is what explains its viability and artificially sustained popularity.

The reactionary forces in the Southeast Asian countries hope that this approach will enable them to harness the Chinese bourgeoisie, reduce it to the role of a junior partner and use its economic potential to consolidate capitalism. Imperialist propaganda is drumming this approach into the Asian mind, camouflaging the existence of an unidentified bulwark of foreign capital in the economy of the area, muffling the contradictions between the Chinese bourgeoisie and the main classes of local society, speeding up the assimilation of that bourgeoisie and ultimately helping to consolidate the positions of the proponents of capitalist development in the Southeast Asian countries.

China's present leaders likewise have their own approach to this question. Attention is drawn by the deliberate vagueness of their formulations and by their distortion of innumerable facts in order to impose their own interpretation of the essence of Chinese capital in Southeast Asia and give the impression that the Chinese minorities have long-standing common interests with the indigeneous population of neighbouring countries.

In the directive on the reception and settlement of Chinese repatriates issued by the State Council of the People's Republic of China in February 1960 it is stated: "There are tens of millions of overseas Chinese residing in foreign countries. In the old days, large numbers of Chinese made their way to foreign lands to make a living. They laboured together with the people of their host countries and made lasting contributions to the economic and cultural development of these countries. They also fought shoulder to shoulder with the local people, shedding their sweat and blood, in the struggle for the national independence of their host countries. For this reason, the overseas Chinese have not only established close friendship with the local people, but also played a good role in developing friendly relations

between the Chinese people and the people of the host countries concerned."¹²

Dealing with this problem relative to Indonesia, China's Foreign Minister Chen Yi wrote a letter in December 1959 to the Indonesian Foreign Minister Subandrio in which he noted: "The overwhelming majority of the overseas Chinese in Indonesia are working people. For generations, they have lived amicably with the Indonesian people, and have played their part in the economic development and the cause of national independence of Indonesia. They are fundamentally different from the colonialists backed up by gunboats and harbouring the aim of oppressing and plundering another country. It is true that a very small number among the overseas Chinese do not behave well. But it would be unfair, merely on account of this, to describe the entire overseas community as a monopoly group which hinders Indonesia's economic development and to make them the main target of discrimination and attack."¹³

First and foremost, despite the facts, the present leaders of the PRC aspire to create the impression that "in the old days large numbers of Chinese made their way to foreign lands to make a living", in other words, that they went to these countries without funds and brought no capital to Southeast Asia. Every effort is made to instil the belief that the Chinese minorities were active in the national liberation movement of the Southeast Asian peoples. This is contrary to the facts, which are that the propertied strata of the overseas Chinese collaborated closely over a long period of time with the colonial administration and the imperialist monopolies in the countries of Southeast Asia, that segments of the overseas Chinese were in alliance with the colonialists during the national liberation revolutions in the area and that there were countless conflicts with the local population, which accused the Chinese communities of subversion against these revolutions.

Peking goes out of its way to screen the deep-going class stratification among the Chinese minorities abroad with the assertion that the vast majority of these Chinese are working people and only "a very small number among overseas Chinese do not behave well". These assertions are motivated solely by the desire to dissolve the exploiting elements

among the Chinese minorities and thereby safeguard the overseas Chinese bourgeoisie against attacks by the national liberation movement in Asia. Disregard of the fact that there are acute class contradictions between the exploiting elements of the Chinese minority, on the one hand, and the working people and a section of the local bourgeoisie, on the other, does not remove these contradictions but only turns the nationalistic hate of the local population against the entire Chinese minority and gives the relations between them the character of racial antagonism.

The above-mentioned pronouncements by PRC officials contain no word about the cash remittances to China from some members of the overseas Chinese minorities, although as the main recipient of these remittances the PRC has exhaustive information on this question.

Peking adheres to the theory about the "domestic" substance of Chinese capital, for it helps to preserve the influence of the Chinese bourgeoisie in an area where Peking counts on achieving the predominant influence with no little assistance from this bourgeoisie.

In past years Soviet scholars studying the economy of the Asian countries paid little attention to the problem of Chinese capital. They nonetheless exploded the bourgeois theory about Chinese capital being "domestic" and, with rare exceptions, regarded it as national capital.¹⁴ This classification is true only of a section and not of the whole of Chinese capital functioning in Southeast Asia.

It is true that in the process of the initial accumulation of Chinese capital the rapid growth of the capitalist structure in the area and the accompanying acute shortage of free wage labour predetermined a high wage level, with the result that some of the Chinese emigrants had the real prospect of becoming first petty and then possibly middle bourgeois. This conversion of indigent emigrants into free owner-producers with the subsequent transformation of a small section of these owners into capitalists was, unquestionably, one of the ways by which Chinese capital took shape in Southeast Asia.

It is also true that in the process of capitalist development the privileges granted the Chinese middlemen by the colonial authorities enabled these middlemen to pocket large profits

from "cheating in the sale of goods",¹⁵ the sale of local products to European and US merchants, having monopoly rights to the collection of export, import and market dues, the production and sale of salt, opium, tobacco and alcoholic beverages, the running of gambling dens and the collection of state taxes, which, to use Marx's words, were "inexhaustible mines of wealth".¹⁶

Chinese businessmen received huge incomes from their mediation in the hire of Chinese workers for the European and American firms in the area.

However, these are not all the aspects and specifics of the initial accumulation and formation of Chinese capital in Southeast Asia which have been and remain an intricate and contradictory phenomenon. Actually there is much more to this phenomenon than fits into the pattern of the earlier notions about the features of the initial accumulation and further formation of Chinese capital in the area as national capital. Without questioning the correctness of the valuations of the active role played by internal sources in this process, there are grounds for asserting that a certain role was also played in this process by external funds that came mainly from China.

Indeed, the notion about Chinese capital as national capital does not explain and sometimes simply ignores the impact on the formation of Chinese capital by developments such as the increased trade between China and the Southeast Asian countries in the 15th-18th centuries, the export of bonded labour from China to neighbouring countries, the appropriation by agents and companies of the surplus value created by the labour of the Chinese settlers in new countries who were repaying their debts, the migration of capital from China to neighbouring countries for political reasons and, lastly, the migration of Chinese capital between countries of the area and its concentration in several Asian developing countries that have a favourable investment climate for foreign capital.

Moreover, the national capital notion comes into conflict with such a universally known fact as the movement of Chinese capital from the Southeast Asian states to foreign countries, a movement that has become widespread since the war.

In this context the earlier point of view in Soviet literature about overseas Chinese capital being national capital requires further study and specification.

Marxist-Leninist economic science divides the entire capital relative to the countries where it functions into foreign and national capital. Lenin's theory of imperialism and of the export of capital as an essential feature of imperialism draws a clear dividing line between foreign and national capital. The first essential feature distinguishing foreign from national capital is its foreign origin relative to the country where it functions. If functioning capital was formed abroad and brought into its present host country from overseas, then relative to that country it is foreign capital.

One of the principal motivations for the export of capital has been and remains "increasing profits by exporting capital abroad to the backward countries".¹⁷ But foreign investors are interested not merely in obtaining a higher profit than at home, but also in the export of that profit to the country of their capital's origin. Of course, in order to expand the exploitation of the local population and increase profits they sometimes temporarily hold up the export of part of their profits, but in the long run they repatriate even the detained portion of these profits. Therefore, the second essential feature distinguishing foreign from national capital is the export of profits and the repatriation of basic capital from the temporarily host countries.

These two basic criteria form the watershed through which passes the boundary between foreign and national capital.

Therefore, before assessing the substance of Chinese capital in Southeast Asia we must analyse the role played by external sources in the accumulation and formation of that capital and the character of the Chinese bourgeoisie's external economic links in which are expressed the remittance of profits and the partial repatriation of this capital out of the present host countries.

An analysis of these aspects of the operation of Chinese capital enables us to assert that at least a portion of the Chinese capital functioning in the Southeast Asian countries is foreign capital relative to these countries, inasmuch as external sources played an appreciable role in its initial

accumulation and further formation, while since the war there has been a considerable and regular movement of Chinese capital out of the Southeast Asian countries, a movement financed by profits and the partial repatriation of the capital itself.

This new interpretation of known facts and the ascertaining of some additional features of the economic practices of the Chinese bourgeoisie make it possible to put forward and substantiate the view that external funds had participated broadly in the formation of the Chinese capital in Southeast Asia.

During the thriving commerce between China and the Southeast Asian countries in the 15th-18th centuries there was a flow of material resources in the form of money and commodities from China to Southeast Asia. This found expression in the illegal export of Chinese money to neighbouring countries, the non-return of a portion of the profits from the sale of goods exported from China and the reinvestment of a portion of trade profits into the organisation and expansion of Chinese business in Southeast Asia. This is the only hypothesis that satisfactorily explains the puzzle of the flourishing Chinese trade factories in Southeast Asia during the Middle Ages. Of course, one should not exaggerate the scale of this movement of material resources, a movement that was not entirely compensating for China, for in that case trade between China and her southern neighbours would have inevitably declined.

The export of capital has a long history. It evolved into a vital form of world economic relations during the epoch of imperialism, but in its embryonic forms it was observed much earlier. It should not be ruled out that in the commerce with the Southeast Asian countries there were formed and partially realised the conditions for the export of trade capital from China to these countries, where that capital found fertile soil for its operation.

The question of the mass emigration of indigent Chinese to the Southeast Asian countries in the second half of the 19th and the early 20th century has been dealt with quite comprehensively in Orientalist literature. The spreading employment of capitalist methods of exploiting the peoples of the Asian colonies, particularly in the latter half of

the 19th century, presupposed the existence of a regular and large supply of wage labour. Burma, Siam, British Malaya, French Indochina, the Dutch East Indies and the Philippines, where feudalism still held sway and local capitalism was in an embryonic state, were unable to meet the demand of the colonial authorities and foreign entrepreneurs for free wage labour. The colonialists found the solution by encouraging mass emigration of workers from China and India.

This emigration proceeded in three forms. The first was so-called "free" emigration, under which Chinese emigrants paid their own passage to the Southeast Asian countries where they preserved their personal freedom. There also was some contracting of Chinese coolies by the colonial authorities for work in Southeast Asia, but this did not take root in all the colonies and was practised for a relatively short period.

Special interest is centred on emigration on credit, which was a form of the export of capital from China to Southeast Asia. Under this form of emigration the indigent emigrants, who were unable to pay their passage to neighbouring countries, received a credit from Chinese recruiting agencies which they pledged to repay in the host countries. Since the emigrants were unable to give any guarantees for the repayment of their debt, the recruiting agencies simply limited their freedom, using them in the host countries at their own discretion or selling them together with their debts to Chinese contractors in the colonies. Thus, from the moment they signed the promissory note to the moment they paid the debt and the onerous interest the emigrants were entirely at the disposal of the recruiting agencies or of the local Chinese contractors.

Using this debt dependence of the emigrants, these agencies and contractors ruthlessly exploited the former, appropriating the entire surplus value created by them and even part of the value of their labour power as long as the emigrants did not repay their debt.

By shipping large number of emigrant-debtors from China, the recruiting agencies exported to Southeast Asia the dependent labour power of hundreds of thousands and even millions of Chinese workers. By virtue of the relations of dependence formed between them in China, the potential surplus value

of these emigrants belonged to the Chinese recruiting agencies or their agents in Southeast Asia.

We feel that the export of this dependent labour power from China to the Southeast Asian countries may be described as a variety of the export of capital in commodity form, in the form of dependent labour power. In each individual case the agencies received an income that was equal to the difference between the profit from the exploitation of the debtor and the expenditure of transporting the emigrant from China to a neighbouring country. The agencies either repatriated this profit to China or, as was frequently the case, invested it in the economy of the host country.

For the emergent Chinese bourgeoisie in Southeast Asia this callous exploitation of dependent compatriots was one of the foundations of its present economic might. In the course of several decades local Chinese capital received powerful support from China in the shape of large and regular shipments of the dependent labour power of Chinese coolies, and in this lies a major feature of the formation of Chinese capital in Southeast Asia.

In contemporary times a major role in the formation of Chinese capital was played by the migration of capital from China for political reasons. During the innumerable economic and political upheavals witnessed in China in the course of that country's modern and latest history, the opposition groups of the exploiting classes that lost out in the political gambles had either to place themselves at the mercy of the victors or leave the country. For an analysis of the formation of Chinese capital in Southeast Asia it is extremely important to note that for decades on end the southern provinces were the centre of the anti-Manchu opposition and, naturally, were subjected to brutal repressions by the imperial court.

In backward, semi-feudal China the political struggle was the privilege mainly of the propertied classes. Among the political refugees fleeing from China there always were many who belonged to the propertied classes and these sought to take with them at least part of their property. With the aggravation of the class struggle in China and the expansion of China's colonial exploitation by the imperialist powers this process developed into an exodus of capital from China

because a section of the Chinese bourgeoisie began to fear for the destiny of their fortunes in view of the political instability in China and the growing competition from the monopolies of the colonial powers. The fact that these operations were usually illegal makes it impossible to give an accurate estimate of the scale of this migration of capital from China.

Only the concluding acts of this long process received some publicity and this allows forming some idea of at least the scale on which capital migrated from China for political reasons.

These last acts were the migration of capital from China during the Sino-Japanese war of 1937-45 and during the struggle for the establishment of the people's democratic system in China in 1946-49. During these years the export of Chinese and foreign currency, gold, valuables, large lots of goods and even dismantled factories belonging to Chinese citizens from China to neighbouring countries reached huge proportions. During the Sino-Japanese war the capital that fled from China to Hongkong reached the sum of 2,000 million Hongkong dollars. The migration of capital from China reached unprecedented proportions during the last years of the Kuomintang regime in China, when there was no longer any doubt that the people's democratic system would triumph. Merchandise, securities, gold and foreign currency estimated at not less than 500 million US dollars were shipped out of China to Hongkong by Chinese businessmen in 1946-50. This exodus of capital from China continued in subsequent years, but its scale steadily diminished. Much of this capital found its way to the Southeast Asian countries, this being testified to, in particular, by the subsequent appearance of economically influential communities of Chinese "white" émigrés in these countries.

Politically motivated migrations of capital from China were, thus, observed throughout the 19th and the first half of the 20th century. The scale of these migrations grew, reaching the highest level in the 1930s-40s. Part of this capital was invested in the economy of Southeast Asia after it had passed, via Hongkong, to the disposal of the exploiting elements of the Chinese minorities in the countries of the area. The large direct exports of money and commodities

from China to the propertied strata of the overseas Chinese over a long period unquestionably contributed to the formation of Chinese capital in the area and strengthened the positions of the Chinese bourgeoisie in the economy of the Asian developing countries.

In the 1960s, the Chinese bourgeoisie resident in the Southeast Asian countries began to make wide use of a distinctive way of manoeuvring with its capital, which is enabling it to reinforce its positions in the economy of the area. Through illegal channels Chinese businessmen are transferring capital from its host countries to the traditional centres of its investment operations abroad—to Hongkong and Taiwan. From these centres this capital is legally returned to the Southeast Asian countries, where the conditions for investment are more favourable to foreign capital. There are not so many of these countries—they are Singapore, Malaysia and Thailand. In these countries Chinese capital arrives no longer as "domestic" capital that does not enjoy the right of remitting profits and freely repatriating abroad, but as classical foreign capital enjoying numerous privileges from the local authorities. The purport of these operations is to withdraw capital from circulation temporarily in order to change its national origin and give it the status of foreign capital.

The initial impression is that these manipulations have nothing to do with the external factor promoting the formation of Chinese capital in Southeast Asia. In reality this is not quite the case.

It is only when Chinese capital shuttles along the route "host country—overseas investment centre—host country" that these manipulations do not affect the substance of this capital. In this case these operations pursue the single purpose of waiting until the restrictions on the functioning of Chinese capital in one country or another of the area are lifted. But Chinese capital does not shuttle, it moves along an open triangle—"host country—investment centre with a liberal regime for foreign capital—new host country". The end objective of this movement is a country with the most favourable investment conditions for foreign capital. Hence the gradual movement of Chinese capital to Singapore, Malaysia and Thailand from the other countries of Southeast

Asia. A very essential point is that in the new place it functions as classical foreign capital.

It is self-evident that the mounting movement of Chinese capital to some countries of the area in recent years is taking place at the expense of external funds, namely, capital from other Southeast Asian countries, while for Chinese capital resident in Singapore, Malaysia and Thailand this movement is one of the external sources of its formation.

All the features of the formation of Chinese capital in Southeast Asia that we have examined must be qualified as external sources of that process. Attention is attracted, first, by the large scale of the material resources being placed at the disposal of the overseas Chinese bourgeoisie from without, chiefly from China, and second, by the sustained influence of these external sources of financing on the formation of Chinese capital in the area.

It may, thus, be asserted that in the course of the formation of Chinese capital in Southeast Asia we observed: a flow of capital from without (mainly from China); the capitalisation of privileges granted to Chinese entrepreneur-middlemen as the reward for their collaboration with the colonial powers in the enslavement and exploitation of the peoples of Southeast Asia; the emergence of capital among the small emigrant producers, who exploited their families, their compatriot emigrants and the local population. Naturally, in practice the formation of individual fortunes, particularly the fortunes of individual groups of the Chinese bourgeoisie, found expression in all these processes, although one of them played the principal role. We, therefore, have grounds for speaking of three main groups of Chinese bourgeoisie, whose formation was linked with one of the above-mentioned processes. Most scholars are agreed that in the Southeast Asian countries there are national and compradore (in colonial times) groups of Chinese bourgeoisie. However, the term "Chinese bourgeoisie" is not confined to these two groups because both in the period of the initial accumulation of Chinese capital in Southeast Asia and in the subsequent stages of its formation a section of that bourgeoisie received funds from China and other countries, with the result that this segment of Chinese capital must

be qualified as foreign capital relative to the countries in which it currently functions.

This thesis receives further confirmation when we study Chinese capital's economic links with other countries.

The money remittances from overseas Chinese to China have long ago become a traditional form of economic links between China and the Chinese minorities in other countries. Before the war they were a function of the mass of the overseas Chinese workers and of the capital that fled to neighbouring countries and constituted partial compensation to China for the drain of both labour resources and capital. Economically they were well-founded and could not be qualified as a one-sided movement of material resources to China from neighbouring countries. A considerable portion of these remittances consisted of the savings of the Chinese workers and peasants who had settled in Southeast Asian countries, and practically all the remitted money went to China.

Fundamental changes took place in the character of the currency remittances following the formation of the People's Republic of China and of the new independent states in Southeast Asia.

With the cessation of the mass emigration of workers and of the migration of capital from the PRC, the remittances became for the Southeast Asian countries not economically justified links but an uncompensated drain of capital in the form of commodities and money. The principal source of these remittances became not the savings of overseas Chinese working people who had lost their links with China and, for all practical purposes, stopped remitting money to relatives in the PRC, but the capitalist profits of the Chinese businessmen operating in Southeast Asia. The author has estimated that over 90 per cent of the Chinese capital that migrates from the host countries to foreign investment centres has as its source the capitalist profits of the Chinese entrepreneurs from the exploitation of the peoples of the Asian developing countries. This migration of Chinese capital from the Southeast Asian countries is a process that is inspired and financed by the Chinese bourgeoisie and not by the Chinese minorities as a whole. The responsibility for its negative effect on the economy of the Southeast Asian coun-

tries is, therefore, borne primarily by the exploiting elements of the Chinese minorities in these countries.

Since the end of the Second World War the export of Chinese capital from the Southeast Asian countries to foreign investment centres has been and remains a perceptible element of the economic life of these countries. The author has computed that in the period 1950 through 1970 the outflow of Chinese capital cost the countries of Southeast Asia nearly 3,500 million US dollars. Inasmuch as in almost all the countries of the area this export was accompanied by the growth of Chinese investments and the strengthening of the economic positions of the Chinese bourgeoisie, it may be asserted that the movement of this capital was financed chiefly at the expense of the export of profit from the Chinese capital functioning in the area and, to a lesser extent, at the expense of the withdrawal of capital from circulation that is frequently a temporary transaction.

In the mid-1960s, the Chinese capital exported from that area totalled between 150 and 170 million US dollars annually, in other words, the amount somewhat diminished compared with the 1950s, when it reached the level of 200 million US dollars annually. Although in the 1960s the scale on which Chinese capital moved out of Southeast Asia shrank gradually, there are no grounds for believing that this process will cease. Evidently, what has happened is that there has been some change in the geographical direction of the movement of this capital.

China, Hongkong and Taiwan remain the principal foreign investment centres, where Chinese capital settles after it moves out of Southeast Asia. Lately, there has been a marked increase of the flow of this capital to Singapore, Malaysia and Thailand, and also to the industrialised capitalist states of the Pacific. The figures available to the author for 1950-64 indicate that of the total Chinese capital exported from Southeast Asian countries 1,660 million US dollars (or 62.4 per cent) went to China, 702 million US dollars (26.4 per cent) to Hongkong, 101 million US dollars (3.9 per cent) to Taiwan, and 194 million US dollars (7.3 per cent) to Pacific countries. In the mid-1960s, the flow of Chinese capital from Southeast Asia reached the following annual

proportions: 100 million US dollars to China, 35 million US dollars to Hongkong, 12 million US dollars to Taiwan and 20 million US dollars to Pacific countries.

The bulk of this mobile capital thus went and still goes to China, whose present leaders are pursuing a policy aimed at boosting China's unilateral revenues at the expense of the Southeast Asian countries. In the final analysis, the source of these unilateral revenues is the exploitation of the Southeast Asian peoples by the overseas Chinese bourgeoisie. Indirectly, through the section of the Chinese bourgeoisie oriented towards it, Peking thus takes part in exploiting the peoples of the Southeast Asian countries.

With the exception of Singapore, all the countries of the area regard Chinese capital as "domestic" capital and on that basis ban the remittance of profits and the repatriation of Chinese capital. In post-war Southeast Asia the Chinese minorities have only one legal channel for remitting funds abroad, and that channel remains remittances to relatives in China. At present Malaysia, Singapore and Thailand are the only countries that permit the Chinese resident in them to send money to relatives in China; the other countries of that area used various motives to ban all, including family, remittances by the local Chinese very soon after the Second World War.

In the period 1950 through 1963, the annual volume of the legal family remittances to relatives in the PRC from Chinese resident in Malaysia, Singapore and Thailand diminished by nearly 90 per cent (from 23,800,000 US dollars in 1950 to 2,500,000 US dollars in 1963).

The proportion of the legal family remittances in the movement of Chinese capital out of the Southeast Asian countries has been steadily decreasing. Whereas in 1950 these remittances amounted to 16 per cent of the total capital moved out of the area, in 1964 they aggregated only 1.5 per cent.

Consequently, the bulk of the Chinese capital moving out of Southeast Asia to foreign investment centres uses illegal channels. In this situation the official ban on the transfer of the capital controlled by the Chinese bourgeoisie out of the host countries is in fact helpless to halt the mass migration of Chinese capital.

Thus, in addition to the direct loss sustained by the Southeast Asian countries through the drain of capital, the Chinese bourgeoisie inflicts a considerable indirect loss on these countries. By means of contraband trade, active participation in illegal gold and foreign currency operations on the black market, secret deals with foreign monopolies and the sidetracking of official regulations on business activity the Chinese bourgeoisie undermines the stability of national currencies, upsets the normal circulation of money, cripples the customs and monetary sovereignty of the developing countries of the area and weakens government influence on economic development. All these actions, unquestionably, contradict the vital interests of the peoples of the countries concerned.

We have estimated that at present the section of the Chinese bourgeoisie which has regular economic links with foreign investment centres through the remittance of profits and the partial repatriation of capital controls nearly 60 per cent of the aggregate Chinese capital in Southeast Asia and may, therefore, be defined as an alien Chinese bourgeoisie.

The laws of logic prompt the conclusion that since along with internal sources of accumulation the alien Chinese bourgeoisie used external sources of accumulation, its representatives are to be found principally among the big Chinese bourgeoisie, which became a big bourgeoisie precisely because, among other things, it used definite additional external resources in the process of its formation. From the viewpoint of the formation of foreign Chinese capital it is important to note that in recent years this capital has begun to operate in other countries as Hongkong, Singapore or Taiwan capital. These segments of Chinese capital, along with the local Chinese firms that have organisational and other links with these segments, are quite rightly classified as foreign Chinese capital.

If the specifics of the formation of the Chinese bourgeoisie in the area yield little data for drawing a dividing line between alien and local Chinese capital, the features of the export of Chinese capital can augment the indirect indications of the affiliation of the various Chinese firms to the category of foreign firms.

The export of Chinese capital from the host countries to foreign investment centres inevitably leads to the establishment of overseas subsidiaries of local Chinese firms. Therefore, the organisational links of the local Chinese firms with the Chinese companies in foreign countries are a reliable indicator of the fact that these firms are partially or entirely financed by foreign capital. If it is taken into account that the Chinese companies whose operations are linked with settlements in gold or foreign currency have the best possibilities for organising the migration of capital to foreign countries, it will be appreciated that foreign Chinese capital must be identified chiefly with the capital that operates in the sphere of foreign trade, banking, insurance, shipping, international tourism and film distribution.

Since the war the official policy in the Southeast Asian countries towards the Chinese bourgeoisie has been extremely contradictory. On the one hand, the local bourgeoisie seeks to consolidate its positions in the economy at the expense of the Chinese bourgeoisie. To help achieve this aim the local authorities organise vociferous anti-Chinese campaigns and provoke Chinese pogroms in order to frighten the Chinese bourgeoisie and make it more tractable in the bargaining with the local bourgeoisie. The nationalistic approach to the problems of Chinese capital by the local bourgeoisie predominated during the early years after the war, when the latter was economically weak and politically inexperienced. However, this approach continues to exercise a certain influence on the shaping of official policy towards Chinese capital, but it is no longer predominant.

As the local bourgeoisie acquired political experience, strengthened its positions in the economy and became conscious of its class interests, the more far-sighted representatives of the ruling circles began to have more and more recourse to a class approach to the adjustment of relations with the Chinese bourgeoisie. The local bourgeoisie cannot help worrying about the fate of capitalism in Southeast Asia and it is beginning to understand that the exploiting elements of the Chinese minorities are its natural class allies and that their enlistment to its side on mutually beneficial terms leads to the stabilisation of capitalism in the area. As social stratification grows more pronounced, the class struggle

deepens and revolutionary situations mature in the Southeast Asian countries, the local bourgeoisie more and more frequently shows a striving to come to terms with the Chinese bourgeoisie.

This combination of a nationalist and a class approach to the problems of Chinese capital accounts for the contradictory character of official policy towards that capital.

In all the countries of the area, with the exception of Singapore, various restrictions were imposed on the operation of Chinese capital after the war. Despite their outward radicalism, these restrictions, with very rare exceptions, did not question the private ownership rights of the exploiting elements of the Chinese minorities to their property. Usually, these restrictions go no further than to ban entrepreneur activity of Chinese capital in some branches of the economy and deny its owners privileges and benefits usually accorded to local businessmen. Wherever Chinese entrepreneurs come under the operation of government restrictions they are given a certain, usually very long, period in which to bring the status of their firms into line with the new requirements. The end purpose of the innumerable restrictions on the operation of Chinese capital in Southeast Asia is not expropriation but its shift to other branches and the creation of the prerequisites for co-operation between big Chinese capital and the young local bourgeoisie.

As a rule, the government restrictions do not infringe upon the interests of big Chinese business. Branches of the Asian economy such as banking, insurance, foreign trade, the manufacturing industry, the growing of industrial crops on plantations and transport usually do not figure among the branches closed to Chinese business, yet it is precisely in these branches that the main assets of the big Chinese bourgeoisie are concentrated. The impression is created that the local authorities are deliberately narrowing the range of the restrictions. The working elements of the Chinese minorities, i.e., the strata that had long ago linked their destiny with their new homeland and contribute to the economic development of the host countries, are the first and principal victim of the officially backed anti-Chinese measures in Southeast Asia.

The restrictions concern the sphere of distribution, chiefly the sphere of domestic trade, thus giving Chinese capital considerable elbow room in both distribution and material production. In order to avoid being accused of adopting a racial approach to the Chinese question, the local authorities usually carry out anti-Chinese measures on the pretext of reducing the influence of "aliens" in the national economy. In this case restrictions are imposed not on all but only on part of the Chinese capital, because many Chinese businessmen have long ago acquired local citizenship. Lastly, many of the proclaimed restrictions frequently remain on paper or are not consistently implemented.

For its part, the Chinese bourgeoisie has acquired extensive experience of sidetracking government regulations in its operations in Southeast Asia. The many methods used to circumvent or neutralise restrictions include bribery, the formation of pseudonational firms, the adoption of local citizenship, operational manoeuvring of capital in the host country and the temporary withdrawal or migration of capital from countries where anti-Chinese restrictions are imposed.

An analysis of the policy pursued by the governments of the Southeast Asian countries towards Chinese capital and of the latter's reaction to government measures shows that the local authorities and the bourgeoisie backing them are gradually abandoning direct assaults on the positions of Chinese capital, assaults that were witnessed during the initial years after the war. Instead, they are favouring a compromise with the Chinese bourgeoisie in order to stabilise capitalism in Southeast Asia. For its part, the Chinese bourgeoisie has lately been displaying a heightening interest in the idea of a compromise but is making a number of counter conditions. In countries like Thailand and Indonesia, this bargaining has made considerable progress, and within the next ten years an alliance between the Chinese and local bourgeoisie may emerge in some countries of the area.

The high priests of imperialism and the spokesmen of Asian reaction regard the Chinese bourgeoisie as a bulwark of capitalism in Southeast Asia and are bending every effort to speed up the formation of a class alliance between the

local and the Chinese bourgeoisie. In particular, they are preaching the idea of the assimilation of the exploiting elements of the Chinese minorities in order to weaken the contradictions between the Chinese and the local bourgeoisie and establish close co-operation between them.

The business methods employed by the Chinese bourgeoisie, above all by the alien Chinese bourgeoisie, and its attitude to the basic issues of the national liberation movement in the Southeast Asian countries are giving rise to deep contradictions between it and the principal classes of these countries.

Much of the Chinese capital in the area is foreign capital. The national liberation movement in the area has made substantial headway in the struggle against domination by foreign capital, and there are no grounds for believing that in future this struggle is doomed to cease. Today, when the erstwhile supremacy of the foreign monopolies in the economy of the Southeast Asian countries has been undermined or weakened, the governments of these countries consider it permissible to attract monopoly capital from industrialised capitalist countries on new and more favourable terms to themselves. In the immediate future the relations between the Asian developing countries and monopoly capital from the industrialised capitalist states will, evidently, be built up on the basis of this temporary compromise.

The case is different with Chinese capital. Until recently it was not regarded as a bastion of foreign capital in the economy of the Southeast Asian countries and was not in the path of the main assault of the national liberation movement, whose aim is to put an end to foreign domination in the national economy. It may be surmised that today, when the relations between the countries of the area and the monopoly capital from the industrialised capitalist states are being temporarily settled on the basis of a compromise, the national liberation movement in Southeast Asia will activate its struggle against foreign Chinese capital.

In keeping with a tradition established in colonial times the Chinese bourgeoisie continues to co-operate with the foreign monopolies in Southeast Asia. This co-operation is seen in the formation of mixed companies by local Chinese firms in partnership with West European, US or Japanese

monopolies, the massive purchase of foreign property by Chinese businessmen during periods witnessing an intensification of the anti-imperialist struggle in the countries of the area, close contact between Chinese and imperialist monopoly capital in foreign trade operations, and so forth. As a result, the imperialist monopolies are able to manoeuvre successfully with their capital and continue exploiting the peoples of these countries. In view of this role of the Chinese bourgeoisie as the accomplice of the imperialist monopolies in the exploitation of the peoples of the area, it is in the interests of these people to pare down its positions.

By exporting capital from the host countries, undermining the solvency of the local currencies and the basic principles of the economic policy pursued by the Southeast Asian countries through contraband and black market gold and foreign currency manipulations, concentrating its capital mainly in the sphere of distribution and refusing to move it to the sphere of production, the alien Chinese bourgeoisie is inflicting enormous damage on the national economy and slowing down economic development. It is objectively in opposition to all the forces desiring to see the countries of the area achieve economic independence.

The fact that in Southeast Asia the Chinese bourgeoisie actively participates in exploiting the peoples is corroborated by the scale and pattern of its investments in the economy of the various countries of the area. This bourgeoisie uses its ramified monopoly in the economic life of the Asian countryside, where it acts as usurer, purchaser of marketable farm products and supplier of production and consumer goods, to conserve the most backward and most brutal forms of exploiting the Asian peasants. At the numerous factories operated by Chinese entrepreneurs in the Asian developing states the workers are subjected to growing exploitation.

As we have noted, the Chinese bourgeoisie concentrates its investments in the sphere of distribution, credit and services. This means that practically all strata of local society are exploited by Chinese capital. By stockpiling and hoarding critical consumer goods it inflates prices and receives fabulous profits. Its active participation in the area's foreign trade enables it to appropriate much of the benefits of the international division of labour. This makes not only the

working class and the peasants, but also the middle strata of the Southeast Asian countries the object of exploitation by the Chinese bourgeoisie.

The local bourgeoisie regards the Chinese bourgeoisie as a dangerous rival and seeks to use political levers to enlarge its own economic potential at the expense of Chinese capital. However, many of the branches of the national economy, which it considers most favourable to its own operations, continue to be controlled by Chinese capital. Hence the fairly deep contradictions between the local and the Chinese bourgeoisie, as a consequence of which, given certain conditions, the local bourgeoisie may, in pursuance of its narrow-class interests, side with the progressive forces of Southeast Asia against the alien Chinese bourgeoisie.

These class contradictions between the peoples of the area, on the one hand, and the Chinese bourgeoisie, on the other, are not yet completely understood and find a distorted expression in the national strife between the local population and the Chinese minorities.

At the same time, the Chinese bourgeoisie in the area has quite obvious weaknesses. Although it is a segment of a national minority, it plays a very active role in the area's economic life. In Southeast Asia the national specific lies in the fact that to this day the exploiting elements of the Chinese minorities are economically stronger than the exploiting classes of the indigenous nations, are broadly involved in the exploitation of the local population and have no intention of yielding to the local bourgeoisie in the struggle for control of the area's markets. This national specific is obviously the source of nationalistic friction, which must sooner or later erupt into class collisions.

In spite of the widespread notion that Chinese capital is "domestic" or, at best, national, at least a portion of it in Southeast Asia is alien to the countries of the area. By two key indicators—its foreign origin relative to its host countries and the realisation of the right to remit profits and repatriate capital—a portion of the Chinese capital is associated entirely with foreign capital. It is quite probable that nearly 60 per cent of the capital controlled by the big and, partially, the middle Chinese bourgeoisie may be classed under the heading of foreign capital.

While holding strong economic positions in Southeast Asia Chinese capital has little political influence among the local population. With the exception of Malaysia and Singapore, the Chinese bourgeoisie does not have independent political organisations enjoying influence among the local population. But even in these two countries the Malaysian Chinese Association and the People's Action Party of Singapore draw their support exclusively from people of Chinese origin.

In the other countries of Southeast Asia the influence of the Chinese bourgeoisie in the political parties of the local bourgeoisie is weak or is confined to personal contacts with the leaders of these parties. In this situation it cannot claim to pursue an independent political line and is able to exercise only an indirect influence on the political development of the countries in the area. Most of the leading bourgeois parties are infected with nationalism, which is directed largely against the Chinese bourgeoisie.

A major distinctive feature of the Chinese bourgeoisie is that it remains disunited politically. Quite large sections do not desire to sink deep roots in the host countries, are opposed to integration with the local population and do not exclude the possibility that in future they may have to leave these countries and co-operate with foreign powers.

It is quite probable that with the appearance of the PRC on the Asian political scene there will be mounting feeling among the Chinese bourgeoisie in Southeast Asia in favour of expanding and reinforcing political and economic co-operation with Peking.

The Chinese bourgeoisie, thus, has durable and deep-going contradictions with the main classes of local society. Besides, it is not part of that society and in many issues looks for support outside the host countries. This makes it extremely susceptible to extraneous pressures and turns it into a channel for foreign influence over the socio-economic development of the Southeast Asian countries.

The facts indicate that in its Asian policy the People's Republic of China takes into account this specific of the overseas Chinese bourgeoisie in Southeast Asia and seeks to bring this bourgeoisie under its control as a means of achieving its Great-Power ambitions in the area.

Naturally, in mapping out their policy towards China the countries of the area must keep in sight the economic potential of the overseas Chinese bourgeoisie, its attitude to the basic problems of the national liberation movement in the area and Peking's drive to enlist the support of this bourgeoisie in the implementation of its Great-Power plans in Southeast Asia.

BASIS OF THE ALLIANCE BETWEEN PEKING AND THE OVERSEAS CHINESE BOURGEOISIE

Following the formation of the People's Republic of China the traditionally close links of the overseas Chinese bourgeoisie with China were temporarily suspended because it seemed that the class interests of the PRC were incompatible with those of this bourgeoisie and, consequently, that there was no future for such links. Initially, most of the overseas Chinese capitalists gave their support to the Chiang Kai-shek regime on Taiwan. The volume of family remittances to the PRC diminished drastically and the overseas Chinese bourgeoisie refused to make any investments in China's economy and refrained from co-operating with Peking's representatives in the neighbouring countries. Although during the first few years following the proclamation of the PRC Peking had some success in furthering contacts with the overseas Chinese minorities, these were mainly contacts with the working elements of these minorities. It was only in the mid-1950s that Peking found the key to co-operation with the overseas Chinese bourgeoisie, which is, unquestionably, the principal vehicle for the realisation of Peking's Great-Power designs in Southeast Asia which involve utilising the economic and political influence of the Chinese minorities in the area.

As a result of the erosion of the socialist basis in China over the past years and the concentration of economic influence in the hands of the exploiting elements of the Chinese minorities in the neighbouring countries, Peking has decided to orient its policy relative to the Chinese minorities towards these exploiting elements, and in order to win

their political support it has sacrificed many of the principles of socialist economic management. Peking's propaganda among the Chinese minorities in Southeast Asia is strongly garnished with nationalistic ideas, which are only slightly camouflaged with socialist verbiage. Peking is making every effort to find points of contact with the overseas Chinese bourgeoisie and is making large concessions to it.

The relations between China and the Chinese bourgeoisie in the Southeast Asian countries are taking shape under the contradictory impact of a large range of complex factors.

It is by no means accidental that Peking has taken over and promotes old China's policy of patronising the exploiting elements of the Chinese minorities in neighbouring countries. Peking is highly interested in the existence of an economically and politically influential Chinese bourgeoisie in neighbouring countries, for in the event it can bring that bourgeoisie under its control the latter will be able to give China substantial economic and political advantages in Southeast Asia.

From the standpoint of Peking's strategy of Great-Power chauvinism, the Chinese bourgeoisie in the Southeast Asian countries has a number of extremely valuable qualities, whose successful utilisation would facilitate the attainment of China's ambitions in Asia. To this day Peking regards Southeast Asia as the sphere of its predominant influence. In this context it is vital to Peking to have in the area an obedient Chinese bourgeoisie with its large economic potential. Peking counts on using this unique instrument of influencing the development of neighbouring countries to hold the initiative in that strategic and rich area of the world, and cherishes the hope of bringing the area under its political control. Moreover, with the help of its agents among the Chinese bourgeoisie it counts on turning this turbulent area into a zone of "revolutionary wars" and on that bridgehead demonstrating that its special "theory" of the world revolution is correct. For years in Peking they have been regarding the overseas Chinese minorities as an important tool of China's policy in Southeast Asia. For instance, in 1956, a spokesman of the Overseas Chinese Affairs Committee declared: "Work among the overseas Chinese must be subordinated to the interests of foreign

policy." Peking advised the Chinese minorities "to unite in a great patriotic alliance around China". During the "cultural revolution" it became known that one of Mao's instructions was that "the class struggle must be conducted also in the affairs of overseas Chinese". The significance of these instructions became clear when Chinese representatives organised anti-government actions in Macao, Hongkong, Mongolia, Burma, Cambodia, Indonesia and Nepal. The hungweipings sharply criticised Liu Shao-chi's policies for their moderation and demanded the active utilisation of the Chinese minorities for the attainment of Chinese hegemony in neighbouring countries. At the 9th Congress of the Communist Party of China Lin Piao said that the overseas Chinese minorities were a component of the "revolutionary alliance of the Chinese people". In 1970, Peking urged the overseas Chinese minorities to "support the revolutionary peoples of all countries". Of course, Peking wanted this support for the realisation of its Great-Power ambitions in, above all, Southeast Asia. Today Maoist diplomacy does not stint instructions to the overseas Chinese, calling upon them to infiltrate deeper into the economic and political life of their host countries.

Relative to the Chinese minorities there has been no change in Peking's policy even after the "cultural revolution". Further, the very fact that Peking addresses itself directly to the Chinese minorities and the content of its instructions show that China intends to use these minorities as a political tool in neighbouring countries.

The fact that the Chinese bourgeoisie controls many branches of the economy of all the Southeast Asian countries without exception and can, if it wishes, paralyse the economic life of these countries is extremely important to Peking. During the Sino-Japanese war China, assisted by the overseas Chinese bourgeoisie, repeatedly organised anti-Japanese boycotts, which seriously upset the plans of the Japanese military in China and in the Southeast Asian countries.

It is not to be excluded that in future, too, Peking will again have recourse to this instrument.

While reserving to itself the right to use this trump, Peking is already now receiving considerable benefits from

the tightening control over the overseas Chinese bourgeoisie in Southeast Asia, and unilaterally, without any compensation to the countries of that area, obtains large funds in commodities and money from neighbouring countries. The volume of China's revenues from the Chinese bourgeoisie in the Southeast Asian countries is so large that by themselves these remittances comprise an independent value to Peking.

The overseas Chinese bourgeoisie has been for many years a major supplier of foreign currency to China. Since 1902, China has had a surplus in its currency operations with the overseas Chinese minorities. In 1934, 1935 and 1936, these remittances brought China 250 million, 260 million and 320 million US dollars respectively, and amounted to 16-18 per cent of China's total currency revenues.

Before the Second World War the large currency receipts in the shape of remittances from overseas Chinese enabled China to regulate the problem of her chronic trade balance deficit with relative ease. These remittances compensated for a considerable portion and, in some cases, for the entire volume of the trade balance deficit.

After the war the currency remittances retained their former importance to China's economy. The normalisation of international economic relations created the conditions for the animation of operations through this channel and enabled China to obtain huge currency funds from this source. There was a swift growth of the remittances from overseas Chinese in 1945-49 (38 million US dollars in 1945, 60 million US dollars in 1946, 80 million US dollars in 1947, 87 million US dollars in 1948 and 105 million US dollars in 1949).¹

After the formation of the People's Republic of China its leaders strove to preserve this source of currency revenues despite the fact that the establishment of the people's democratic system in China had fundamentally changed the basis of China's relations with the exploiting elements of the Chinese minorities overseas. Nonetheless, to this day remittances remain second to export as a source of currency revenues for China's economy. It is only natural that this circumstance is taken into account by the present Chinese leadership in their relations with the overseas Chinese bourgeoisie.

policy." Peking advised the Chinese minorities "to unite in a great patriotic alliance around China". During the "cultural revolution" it became known that one of Mao's instructions was that "the class struggle must be conducted also in the affairs of overseas Chinese". The significance of these instructions became clear when Chinese representatives organised anti-government actions in Macao, Hongkong, Mongolia, Burma, Cambodia, Indonesia and Nepal. The hungweipings sharply criticised Liu Shao-chi's policies for their moderation and demanded the active utilisation of the Chinese minorities for the attainment of Chinese hegemony in neighbouring countries. At the 9th Congress of the Communist Party of China Lin Piao said that the overseas Chinese minorities were a component of the "revolutionary alliance of the Chinese people". In 1970, Peking urged the overseas Chinese minorities to "support the revolutionary peoples of all countries". Of course, Peking wanted this support for the realisation of its Great-Power ambitions in, above all, Southeast Asia. Today Maoist diplomacy does not stint instructions to the overseas Chinese, calling upon them to infiltrate deeper into the economic and political life of their host countries.

Relative to the Chinese minorities there has been no change in Peking's policy even after the "cultural revolution". Further, the very fact that Peking addresses itself directly to the Chinese minorities and the content of its instructions show that China intends to use these minorities as a political tool in neighbouring countries.

The fact that the Chinese bourgeoisie controls many branches of the economy of all the Southeast Asian countries without exception and can, if it wishes, paralyse the economic life of these countries is extremely important to Peking. During the Sino-Japanese war China, assisted by the overseas Chinese bourgeoisie, repeatedly organised anti-Japanese boycotts, which seriously upset the plans of the Japanese military in China and in the Southeast Asian countries.

It is not to be excluded that in future, too, Peking will again have recourse to this instrument.

While reserving to itself the right to use this trump, Peking is already now receiving considerable benefits from

the tightening control over the overseas Chinese bourgeoisie in Southeast Asia, and unilaterally, without any compensation to the countries of that area, obtains large funds in commodities and money from neighbouring countries. The volume of China's revenues from the Chinese bourgeoisie in the Southeast Asian countries is so large that by themselves these remittances comprise an independent value to Peking.

The overseas Chinese bourgeoisie has been for many years a major supplier of foreign currency to China. Since 1902, China has had a surplus in its currency operations with the overseas Chinese minorities. In 1934, 1935 and 1936, these remittances brought China 250 million, 260 million and 320 million US dollars respectively, and amounted to 16-18 per cent of China's total currency revenues.

Before the Second World War the large currency receipts in the shape of remittances from overseas Chinese enabled China to regulate the problem of her chronic trade balance deficit with relative ease. These remittances compensated for a considerable portion and, in some cases, for the entire volume of the trade balance deficit.

After the war the currency remittances retained their former importance to China's economy. The normalisation of international economic relations created the conditions for the animation of operations through this channel and enabled China to obtain huge currency funds from this source. There was a swift growth of the remittances from overseas Chinese in 1945-49 (38 million US dollars in 1945, 60 million US dollars in 1946, 80 million US dollars in 1947, 87 million US dollars in 1948 and 105 million US dollars in 1949).¹

After the formation of the People's Republic of China its leaders strove to preserve this source of currency revenues despite the fact that the establishment of the people's democratic system in China had fundamentally changed the basis of China's relations with the exploiting elements of the Chinese minorities overseas. Nonetheless, to this day remittances remain second to export as a source of currency revenues for China's economy. It is only natural that this circumstance is taken into account by the present Chinese leadership in their relations with the overseas Chinese bourgeoisie.

Peking can exploit these valuable capacities of the Chinese bourgeoisie in neighbouring countries only if it controls this bourgeoisie. China's official policy is directed toward winning over the Chinese bourgeoisie and, to achieve the nationalist aims of this policy, she has departed considerably from Marxist-Leninist principles.

It is no secret that the exponents of what are valuable capabilities from the standpoint of Peking's adventurist foreign policy are not the entire Chinese minorities in Southeast Asia but only the exploiting elements in these minorities. If the Peking leaders intend to achieve their foreign policy aims with the help of these exploiting elements (and this is exactly what they have been doing during the past two decades), they, obviously, will have to place their relations with the overseas Chinese bourgeoisie on a private capitalist basis. In fact, Peking's policy towards this bourgeoisie shows that in their co-operation with it China's leaders are gradually sliding into private capitalist positions.

Whereas in 1950-54 it could be said that there was hardly any prospect for an alliance between Peking and the overseas Chinese bourgeoisie, because such an alliance had no sound class basis, since 1955, mainly through the efforts of China's leaders, a real class basis that has nothing in common with the norms of socialist economic management has been built up for this alliance.

The substance of these concessions is that Peking has recognised the inviolability of the private property of the overseas Chinese in China and the legality of the incomes of a certain segment of the Chinese people, whose source has been and remains the exploitation of the peoples of Southeast Asia. Peking has thereby given its official consent to the existence of a capitalist enclave in China's economy.

The Mao Tse-tung group gave overseas Chinese businessmen guarantees that their private property in China would remain inviolate even after the victory of socialism. Peking instituted a number of actions which made it clear that it was creating favourable conditions for investments from overseas Chinese entrepreneurs and that it was prepared to make fundamental concessions to the overseas Chinese bourgeoisie for the latter's co-operation with China.

Official Peking policy underwent fundamental changes in the question of currency remittances. Whereas initially it was a tactical slogan that was not backed up with concessions to the overseas Chinese bourgeoisie and thereby had no practical significance, after 1955, Peking gave this slogan a tangible content by making substantial concessions to the overseas Chinese bourgeoisie and the remnants of the exploiting classes in China.

Since 1955, Chinese big business in Southeast Asia has no longer been ruling out the possibility of capitalism being restored in China. These hopes are nourished by factors such as Peking's co-operation with the remnants of the exploiting classes in China, the Peking leadership's flirtation with the overseas Chinese bourgeoisie and—in the latest period—the overall weakening of socialism's positions in China and Peking's departure from the agreed guidelines in the international communist movement. The main obstacle to close co-operation between China and the overseas Chinese bourgeoisie in Southeast Asia on terms dictated by the latter, namely, the incompatibility of the class interests of the PRC as a socialist state with those of the overseas Chinese bourgeoisie, is gradually disappearing. This is, of course, changing the situation and in recent years big Chinese business has been noting that there are considerable possibilities for establishing broad economic and political contacts with the present leadership in Peking.

Since 1955, the overseas Chinese bourgeoisie has thus been moving towards closer co-operation with China.

For the vast majority of the overseas Chinese China is their homeland and they regard it as a great power. The Chinese bourgeoisie resident in Southeast Asia feels that if it is loyal to Peking the latter may protect its economic interests in the host countries. Through its official policy Peking encourages the Chinese minorities to entertain this point of view. On the other hand, the Chinese bourgeoisie has a clear idea of the strength of the national liberation movement, which, given certain conditions, may turn against the exploiting elements of the Chinese minorities in the area. As a result, the Chinese bourgeoisie has to reckon with the prospect of the Chinese minorities being deported en masse from the Southeast Asian countries and that in this case

China may prove to be the last refuge of the deported Chinese businessmen. In anticipation of this development the Chinese bourgeoisie is building bridges linking it with China.

In view of the unceasing economic restrictions on the operation of Chinese capital in Southeast Asia the Chinese bourgeoisie has long ago come to the conclusion that it has to invest a portion of its capital outside Southeast Asia. Most of these investments are being made in Hongkong, China, Taiwan and, lately, Singapore. Because of the uncertain political prospects of Hongkong and Taiwan, the Chinese bourgeoisie regards China as an acceptable sphere of investment since Peking is giving it definite guarantees and favourable conditions for the use of its investments. In order to safeguard its fortunes it agrees to smaller profits than it receives in Southeast Asia and is investing capital in China's economy. Even under the most unfavourable concurrence of circumstances in Southeast Asia the assets in China can guarantee their owners a secure old age in their homeland.

Moreover, friendly relations with Peking are giving the Chinese bourgeoisie in Southeast Asia purely economic benefits that cannot be ignored. All of China's foreign trade operations with the Southeast Asian countries, direct and through middlemen, are handled by local Chinese firms. By participating in these operations, the Chinese entrepreneurs collect the gold dust of profit from huge trade transactions. In the present situation this circumstance is a weighty argument in favour of an alliance with Peking.

In its relations with Peking the overseas Chinese bourgeoisie in the area has to reckon with the fact that the overseas Chinese still have over ten million relatives² in China and that Peking regards these people as hostages in the implementation of its political and economic guidelines among the Chinese minorities in neighbouring countries. Besides, in China there are between 400,000 and 500,000 repatriates from Southeast Asia and between 60,000 and 70,000 students from that area, and this circumstance must also be taken into consideration by the Chinese minorities in neighbouring countries. Any display of disloyalty to China by overseas Chinese businessmen may cost their relatives in China dear, and although the ties of kinship have been gradually weaken-

ing in the postwar years between the overseas Chinese minorities and their relatives in China, the Chinese bourgeoisie cannot afford to ignore this fact.

The keen feeling of oneness with the homeland that is usual to overseas minorities likewise works in favour of an alliance with Peking.

Lastly, the Great-Power keynotes that have become pronounced in Peking's foreign policy during recent years are giving big Chinese business the hope that the growth of China's influence in Southeast Asia will enable them, with Peking's help, to consolidate their positions in the economy of the host countries or at least put an end to the present restrictions that have been imposed on their operations in some countries. The Chinese bourgeoisie realises that active participation of the PRC in Asia's affairs will cause development that—in case it co-operates with Peking—will bring it both economic and political benefits.

These are the economic and political factors the Chinese bourgeoisie in Southeast Asia has to reckon with in shaping its relations with Peking. Although lately some of these hopes have begun to collapse or are vanishing altogether and the Chinese bourgeoisie in the area is receiving the alternative of assimilating in the host countries, it feels that it is to its advantage to preserve and develop contacts with Peking.

For both Peking and the overseas Chinese bourgeoisie these contacts are yielding dividends at the expense of the interests of the Southeast Asian peoples.

Needless to say, the factors giving Peking and the overseas Chinese bourgeoisie common interests do not automatically spell out the latter's unqualified support for Peking. China's leaders are well aware of this and are conducting extensive work designed to give them control of the Chinese minorities (particularly of the exploiting elements) in neighbouring countries.

Peking plays on nationalistic feeling in its propaganda among the overseas Chinese bourgeoisie.

In Peking they are endeavouring to give the overseas Chinese the impression that the very fact of the creation of the People's Republic of China resolves almost all the problems of the Chinese minorities in neighbouring countries.

According to the Deputy Chairman of the Overseas Chinese Affairs Committee, "following the formation of the new China the overseas Chinese could observe swift progress in all areas—economic, political and cultural. They saw the triumph of their homeland's foreign policy of peace and the steady rise of its international prestige. All this could not help but affect their position in the host countries, where discrimination has begun to recede into the past and give way to respect. For that reason the overseas Chinese have a deep and warm affection for their homeland and are proud of it."³

Peking is out to create the impression that political loyalty to China gives the overseas Chinese bourgeoisie considerable advantages in the host countries inasmuch as in this case China becomes its powerful patron and guarantor. In this is mirrored Peking's arrogant attitude to neighbouring Asian countries which are striving to control the economic and political activities of the local Chinese bourgeoisie.

As soon as it was proclaimed the People's Republic of China began pursuing a policy of representing the interests of the overseas Chinese under the slogan: "All Chinese Are One Family." In Article 98 of the PRC Constitution, adopted in 1954, it is stated that China's Government "protects the proper rights and interests of Chinese resident abroad". In September 1954, the Chairman of the Overseas Chinese Affairs Committee declared that "no one can rupture the bonds linking overseas Chinese with their homeland. China is the motherland of all overseas Chinese". China guarantees overseas Chinese the protection of their right to the private ownership of clothes, furniture, implements of labour, bank deposits and cash remittances. The draft of a new Constitution giving legislative embodiment to the results of the "cultural revolution" in China was drawn up in September 1970. In the section dealing with the fundamental rights and duties of Chinese citizens it is stated that the Government protects the proper rights and interests of Chinese resident abroad.

To back up the argument that China represents all overseas Chinese, 12,300,000 Chinese residing abroad were included among China's population during the first ever census in 1953.

Under the 1954 Constitution the overseas Chinese have 30 representatives in the National People's Congress, the highest legislative organ in China. In view of the fact that the overseas Chinese are scattered over a large area and it is not easy for them to engage in public activity, a special procedure has been worked out for the election of their representatives.

In 1953, representatives of overseas Chinese supporting the people's democratic system and actively opposing the Chiang Kai-shek regime met in Peking, where they had a preliminary discussion on the procedure for nominating deputies to the National People's Congress from the overseas Chinese. In countries maintaining diplomatic relations with China the candidates were nominated at meetings of organisations uniting the overseas Chinese in these countries. The Chinese residing in countries that had no diplomatic relations with China commissioned the emigrants who had lived in these countries and returned to China to nominate their candidates. An enlarged sitting of the Overseas Chinese Affairs Committee, held in Peking in July 1954, was attended by 195 representatives of Chinese living in different countries. This meeting delegated 30 representatives of the overseas Chinese to the National People's Congress.

Among the delegates elected to the National People's Congress from the overseas Chinese minorities five were from Malaysia, four from Thailand, four from Indonesia, two from the countries of Indochina, one from Burma, one from Sarawak, Brunei and Sabah and one from the Philippines.⁴ Thus of the 30 seats granted to the overseas Chinese in the People's National Congress, 18 were given to representatives of the Chinese minorities in the Southeast Asian countries. It is noteworthy that by their social origin many of the delegates belonged to the exploiting elements of these minorities.⁵

In Peking they were not at all disturbed by the fact that relations of this kind with the overseas Chinese minorities constituted direct and gross interference in the internal affairs of the Southeast Asian countries. On the contrary, it has been and remains Peking's intention to use its influence among these minorities to achieve its foreign policy aims in neighbouring countries.

At present the work among the overseas Chinese is directed by the United Front Department of the CPC Central Committee and the Overseas Chinese Affairs Committee of the State Council of the PRC. The members of the latter committee are appointed by the State Council and include experts on overseas Chinese affairs, officials of the economic and party apparatus of government bodies maintaining links with other countries and also prominent repatriates from neighbouring states. The Ministry for Foreign Affairs is actively involved in the work with overseas Chinese. China's leading banks have departments serving overseas Chinese and in China there is a network of specialised shops for them. Broad functions have been delegated to the tourist agency serving overseas Chinese. The *China News Service* and Peking Radio conduct active propaganda among the Chinese resident in the Southeast Asian countries. Moreover, there is a National Association for the Reception of Repatriates of Chinese Origin, which operates on a voluntary basis. In countries that have diplomatic relations with China official Chinese representatives devote considerable attention to the establishment of contacts with local Chinese organisations. Special committees have been set up in the provinces in China where many relatives of overseas Chinese live.

In her drive to gain political control of the overseas Chinese in the area, China uses a large arsenal of means. Peking propaganda takes into account the specifics of the individual strata of these Chinese and skilfully selects the means of persuasion. For instance, in its struggle for the minds of the older generations Peking accentuates patriotism and nationalism, while in its propaganda for young people it urges the study of the "thought" of Mao Tse-tung.

The methods by which the Maoists seek to exercise political control over the Chinese minorities include the granting of Chinese citizenship to members of these minorities, attempts to settle the intricate problem of the citizenship of overseas Chinese in direct talks with the governments of the area, the familiarising of the Chinese minorities with Chinese achievements and strong opposition to Kuomintang influence among the overseas Chinese, the protection of the interests of the overseas Chinese during anti-Chinese campaigns in individual countries of the area, the throwing of sops to

some segments of the Chinese bourgeoisie in the Southeast Asian states, the financing of local press organs publishing information favourable to China, massive radio propaganda beamed specially to the overseas Chinese, active participation in the work of public organisations of the overseas Chinese, the blackmailing of unsubmissive elements among the minorities with threats of repression against their relatives in China, efforts to preserve Chinese schools in the Southeast Asian countries, the enhancement of the influence of pro-Peking teachers in these schools, the distribution of Chinese films and the dissemination of low-priced Maoist literature, the invitation of innumerable delegations of overseas Chinese to visit China, facilities to overseas Chinese for study at institutions of higher learning in China, the fanning of nationalist feeling among the overseas Chinese and demonstrations of China's strength on the international scene, particularly in Southeast Asia, tours by Chinese actors and the creation of incentives for the investment of Chinese capital in China's economy. All these methods are unquestionably yielding some results.

During the initial years following the formation of the PRC Peking propaganda for overseas Chinese was quite straightforward. In a communiqué issued by the Overseas Chinese Affairs Committee it was stated that all overseas Chinese should unite with the local population and help it achieve the aims of its national liberation movement, and that the overseas Chinese would not have real freedom until the peoples achieved freedom and independence.

In a New Year message to the Chinese minorities in 1950 the Overseas Chinese Affairs Committee recommended that in the Southeast Asian countries they should set up a united front of patriots, promote links with the local population, actively contribute to the building of the new China and counter the policies of the USA and the West European states in the area.

In 1954-55, due to the protests of some Asian states that accused China of subversive activities through PRC-oriented elements of the Chinese minorities in these states, Peking had to change the tactics of its work among the overseas Chinese. Before the opening of the Bandung Conference of Afro-Asian Countries in 1955, the Chinese Government as-

sured the governments of India, Burma, Indonesia, Cambodia, Thailand and the Philippines that it would not use the Chinese resident in these countries for subversion against the local authorities. Peking began urging the overseas Chinese to strengthen friendship with the peoples of Southeast Asia and to take an active part in the economic development of the countries of the area, recommending, among other things, that they should invest money in the national industry, transport and some branches of agriculture: "The protection of the proper rights and legitimate interests of overseas Chinese is envisaged in the Constitution of the People's Republic of China. However, parallel with this, the Government of China tells the overseas Chinese that their inextinguishable love for their motherland and their friendly relations with the people of the host countries are a priceless tradition. For that reason under no circumstances is it permissible to hold the host country in contempt or display Great-Power chauvinism on account of the fact that the overseas Chinese now have a powerful and great motherland...."

"In order to effectuate a foreign policy of peace and the five principles of peaceful coexistence, China's policy towards the overseas Chinese provides that the latter should take no part in the local political struggles and that they should abide by the laws of the host countries and respect the rights and customs of the local population."⁶

This remains Peking's official (but not practised) policy. In any case, in the formal relations it is re-establishing with the Southeast Asian countries it strives to give the impression that it is insisting that the Chinese minorities should co-operate closely with the local population, abide by all the local laws regulating the activities of these minorities in the host countries, and so forth.

Peking's recommendations to the overseas Chinese are that they should adopt the citizenship of the host countries, intermarry with the local population, show their loyalty to the local authorities, participate in legal political activity and serve the terms of conscription in the local armed forces, in short, that they should do everything to win the trust of the local population and authorities. These tactics remain in force only until Peking feels that its Great-Power aims

in the area require their abandonment. There have been some instances of this in post-war Southeast Asia.

Peking devotes particularly great attention to training young specialists from among the overseas Chinese. China's Minister of Education declared in 1953 that for this purpose 10 per cent of the places in all of China's universities have been reserved for young overseas Chinese.

Educational institutions for young people from among the overseas Chinese in Southeast Asia have been opened in China. These are preparatory courses and schools, where these young people are prepared for enrolment in colleges and universities. In addition, there are at least several specialised institutes and three universities where most of the students are overseas Chinese. The bulk of the students are from Hongkong, Malaysia, Indonesia and other Southeast Asian countries.

Many young overseas Chinese strive to receive an education in China and in this they are often backed by their parents. According to a Peking pronouncement, 45,000 young overseas Chinese studied in China in only the period 1949 through 1954. However, in subsequent years the number of these young people going to China began to diminish because of the reluctance of the governments of the Southeast Asian countries to allow them to return to their countries, while the governments of Malaysia and Indonesia placed a ban on the re-entry of overseas Chinese who had received an education in China. Lately Peking has been advising young people to study at the colleges and universities in the host countries.

In the absence of direct diplomatic and commercial relations with most of the Southeast Asian countries, the principal channels of Peking propaganda among the Chinese minorities have been and remain radio programmes beamed to the countries of the area, the financing of local Chinese-language newspapers, the massive sale of attractively priced propaganda and educational literature, infiltration into the local business, cultural, sports and fellow-countrymen associations and organisations of the overseas Chinese, the sale of Chinese-made goods at cut prices, and so forth.

At international conferences Peking's representatives boast of China's imaginary and actual achievements, launch all

sorts of actions with the purpose of underscoring the PRC's international prestige as a Great Power and seek to give the impression that the Maoist guidelines have resulted in considerable foreign policy successes in Asia and throughout the world.

It cannot be denied that these actions sometimes achieve the purpose of enhancing Peking's prestige in the eyes of the Chinese minorities, including the exploiting elements among them. Even during the "cultural revolution", when Peking had to reduce its foreign policy activities to a minimum it did not cease its work among the overseas Chinese.

Despite glaring setbacks in the work among the overseas Chinese, Peking has in the course of a quarter of a century widened its influence among the Chinese minorities in Southeast Asia.

The special position occupied by the Chinese bourgeoisie in the economy of Southeast Asia and Peking's active policy of winning the political support of the overseas Chinese as a whole and of the overseas Chinese bourgeoisie in particular have predetermined the fact that at present Peking has made notable headway in winning over a considerable section of that bourgeoisie.

The problem of the political orientation of the Chinese minorities has two aspects: an internal and an external aspect. Important as is the study of the internal aspect of this problem, there is no possibility of according this matter the proper attention in the present book because the political views, political organisations and the political influence of the Chinese bourgeoisie in each country of the area require special research.

The author, therefore, deals only with the question of the foreign policy orientation of the Chinese bourgeoisie, chiefly its orientation towards China.

Under colonial rule the local Chinese bourgeoisie knew it could make no serious claim to broad political representation in the decisions affecting affairs in the colonies and, therefore, displayed little interest in the political life of the host countries and gave all its political sympathies to China. In particular, its financial support for the 1911 revolution in China was so large that Sun Yat-sen called the overseas Chinese the "mother of the revolution". Prior

to the Second World War the Chinese bourgeoisie in Southeast Asia organised boycotts of Japanese goods in protest against Japan's acts of aggression against China. In the colonial period the Chinese minorities in the host countries invariably supported all steps that in one way or another protected China's interests. In short, during that period they oriented themselves exclusively towards China and regarded their host countries as places of temporary residence.

The establishment of the people's democratic system in China, the preservation of the Kuomintang regime on Taiwan and the emergence of independent states in Southeast Asia placed the Chinese minorities before a difficult choice: in their political sympathies they had to decide between the PRC, the Kuomintang regime and the new independent states where they were resident. Naturally, their sympathies were divided; this was particularly true in the case of the exploiting elements among them.

Since the war the political loyalty of the Chinese minorities has been claimed by Peking, Taipeh and the Southeast Asian host countries. The governments of the latter countries are insisting that the Chinese minorities reaffirm their loyalty to them by unswervingly carrying out the orders of the local authorities, actively participating in economic development, unconditionally supporting the existing political system and renouncing all unofficial contacts with representatives of other states. However, in their policy toward these minorities the local authorities frequently infringe upon their interests and thereby generate discontent among wide sections of overseas Chinese.

Peking regards all overseas Chinese as citizens of the PRC and uses the lingual and cultural oneness, the links between the Chinese minorities and their relatives in China and also its own status as a Great Power to establish durable control of the Chinese communities in neighbouring countries.

The Chiang Kai-shek regime on Taiwan is likewise seeking to enlist the backing of the Chinese minorities in Southeast Asia whom it regards as a component of its social foundation, a vehicle for surmounting its isolation on the international scene, particularly in Southeast Asia, and a source of revenue. However, it is unable to guarantee the political and economic

rights of the overseas Chinese or even give them asylum on Taiwan in the event they are deported en masse from Southeast Asia. Now, with the USA's perceptibly changed attitude to Taiwan's further destiny as a result of the Nixon visit to China, the number of supporters of the Chiang Kai-shek regime among the overseas Chinese in Southeast Asia is diminishing drastically.

A point to be noted is that in their policy towards the Chinese minorities all the interested sides are oriented towards the propertied strata among these minorities, understanding that these are the strata that can help them to achieve their aims.

Even this brief summary of the relations between the Chinese minorities in Southeast Asia, on the one hand, and Peking, Taipeh and the governments of the area, on the other, shows how difficult it is for these minorities to make a political choice in view of the operation of factors, many of which mutually exclude each other.

A number of very hypothetical assessments of their political orientation are to be found in the literature dealing with this question. The American scholar Leo E. Williams has on two occasions advanced the surmise that among the overseas Chinese in Southeast Asia 10 per cent are oriented towards Peking, 10 per cent towards Taipeh and the remaining 80 per cent preferring to remain uninvolved and declining to make a choice.⁷ According to D. Insor, in the mid-1960s, two-thirds of the Chinese population in the area were oriented towards Peking and one-third towards the Chiang Kai-shek regime on Taiwan.⁸ This is also the view of A. Doak Barnett, who believes that the majority of that population maintains a pro-Peking orientation.⁹

It is not difficult to see that these researchers differ sharply over their assessment of the political orientation of the overseas Chinese. Whereas Williams feels that most of the overseas Chinese are neutral in questions of politics and are, as a whole, quite inert in their attitude to both China and the Chiang Kai-shek regime, Insor and Barnett are sceptical about the political neutrality of the overseas Chinese and believe that their political sympathies are sharply polarised between Peking and Taipeh, with Peking having gained control of most of the Chinese communities

in Southeast Asia. These researchers leave in the background the attitude of the Chinese minorities to their host countries.

At the time the PRC was proclaimed, the political countenance of the overseas Chinese in Southeast Asia was quite heterogeneous. Most of them, particularly the propertied elements, unequivocally backed Chiang Kai-shek. This, in particular, explains the sharp decrease of the remittances of the overseas Chinese to China during the initial years following the formation of the PRC. A section of these Chinese, including many businessmen, steered clear of politics and gave the impression of being neutral. The indigent strata sided with the People's Republic of China.

In the course of the 1960s, Peking's influence among the overseas Chinese grew steadily, with the result that the pro-Peking section became predominant. In the opinion of foreign observers, at least in Burma, Laos, Cambodia and Indonesia practically the entire Chinese minority supported Peking. The number of Peking's adherents is growing in Malaysia, Singapore and Thailand. The pro-Kuomintang elements still hold strong positions only in the Philippines and South Vietnam. Of the half million Chinese residing in the Philippines, nearly 200,000 are still Taiwan citizens. The Chiang Kai-shek Embassy in the Philippines has estimated that nearly 80 per cent of the Chinese residing in that country remain loyal to the Taipeh regime.¹⁰ In Malaysia, where the naturalisation procedure is simple for Chinese, some 200,000 still refuse to adopt Malaysian citizenship.

Despite the sharp changes that have taken place in the formal indicators of the political orientation of the Chinese minority in Indonesia since 1965, Peking continues to exercise considerable influence. In Thailand Peking's influence has grown substantially in recent years. Suffice it to note that 56 per cent of the Chinese who have been questioned either openly support the PRC or conceal their pro-Peking feelings for political considerations. According to a survey conducted in Thailand in the mid-1960s, 60 per cent of the local Chinese supported Peking, 30 per cent were oriented towards the Chiang Kai-shek regime on Taiwan and 10 per cent had no definite political views on this question.¹¹ In Cambodia the vast majority of the Chinese are active adherents of the PRC. The hostile attitude of the govern-

ments of the Philippines, Malaysia and Thailand is preventing the Chinese minorities from openly displaying their sympathies towards Peking. The actual number of Peking's supporters among the overseas Chinese in these countries is, evidently, larger than the announced figures. In one way or another, according to Peking's estimates, at the beginning of the 1960s, 40 per cent of the Chinese minorities in Southeast Asia (about 5 million persons) had Chinese citizenship, while the remainder had either dual or local citizenship.

Thus, Peking seeks to control the entire body of Chinese residing in the Southeast Asian countries.

The developments of the past few years (the "cultural revolution" in China, the undermining of the socialist basis in China's economy and political life, the new foundations of co-operation with the overseas Chinese bourgeoisie, the PRC's admission to the UN, US President Richard M. Nixon's visit to China, Peking's renunciation of the policy of international semi-isolation and China's expected active participation in Asian affairs) have, unquestionably, enhanced Peking's prestige in the eyes of the Chinese minorities in Southeast Asia, particularly the Chinese bourgeoisie, which sees in these developments signs that the class basis for co-operation with Peking on principles of private capitalist enterprise is broadening. This removes from the agenda many of the former contradictions in the relations between Peking and the Chinese bourgeoisie in Southeast Asia and enlarges Peking's social basis among the Chinese minorities through the enlistment of the support of further segments of the Chinese bourgeoisie.

Nonetheless, due to the contradictions between the assessments on this point it is still impossible to give a clear reply to the question of the political orientation of the Chinese minorities in Southeast Asia. There are at least two reasons for the sharp differences in the assessments of the political orientation of the Chinese minorities.

The first is that this political orientation is not constant, i.e., it is not free from the impact of many political and economic factors. The political sympathies of the Chinese communities are influenced by the policies of the local governments, their relations with the local population, the

character and prospects of their links with China, the ability of Peking and Taipeh to guarantee their political and economic interests, and the extent of their integration in the host countries. It is obvious that both the working and the exploiting elements have their own attitude to these factors. It is also clear that these factors themselves undergo continuous change and the political orientation of the Chinese minorities is a constantly changing value.

At the same time, there is no trustworthy information on this question, and in analysing it researchers usually have to base themselves on fragmentary and indirect data. This absence of information compels researchers to draw on indirect evidence of the political orientation of the local Chinese.

For instance, many researchers regard citizenship as a major criterion of the political orientation of the overseas Chinese. However, practice shows that the choice of citizenship (of the host country, of China or of the Chiang Kai-shek regime on Taiwan) by no means always coincides with the actual political views and sympathies of the holders of these passports. The overseas Chinese decide the question of their citizenship pragmatically, under the pressure of circumstances, in order to derive the maximum political and economic benefits to themselves. Many of them still have dual citizenship (of the PRC and the host countries) and under certain circumstances they are prepared to renounce one of their passports in order to safeguard their positions in the host countries and ensure their personal safety.

If one accepts the citizenship of the local Chinese as an objective criterion of their political sympathies, one will have to take the view, for instance, that within some eighteen months after the events of October 1965 the Chinese minority in Indonesia had adopted a fundamentally new orientation. Whereas in that country at the close of 1965 there were 1,500,000 Indonesian citizens of Chinese nationality, 1,000,000 Chinese with PRC citizenship and 250,000 Chinese with dual citizenship, by mid-1970, the picture had undergone a radical change; the number of PRC passport holders decreased to 250,000; 1,200,000 local Chinese had renounced both Indonesian and PRC citizenship; the number of Chinese

holding Indonesian citizenship had dropped to 1,200,000; and the number of Chinese adopting Taiwan citizenship began to grow.¹²

There is no doubt that these changes in the citizenship of the Chinese resident in Indonesia were due primarily to the wave of repressions against the Chinese community in that country and the rupture of relations with the PRC on account of the events of September 30, 1965. It, therefore, cannot be said that the citizenship affiliation of the local Chinese is incontrovertible evidence of their actual political orientation.

In ascertaining the political orientations of the Chinese minorities some researchers attach excessive significance to questions such as the ratio between those born in China and in the host countries. In the opinion of these researchers the fact that today approximately 70 per cent of the Chinese communities in the countries of the area are locally born Chinese who have never been to China automatically predetermines their orientation towards the country of residence and the rupture of all relations with both China and the Taiwan regime. Had this been the case there would today have been no place for the innumerable pro-Peking organisations among young Chinese who have never been to the PRC.

Yet the existence of these organisations and the popularity of the Maoist ideas among the young Chinese in the Southeast Asian countries are not disputed by any serious student of this question.

The data available to us do not enable us to assess the political orientation of the Chinese minorities in Southeast Asia as a whole quite accurately. Moreover, this orientation changes so quickly that yesterday's estimate may be obsolete today. In particular, it may be assumed that the probability of China establishing diplomatic relations with the Southeast Asian countries will intensify pro-Peking feeling among the Chinese minorities, as had been the case when the PRC established diplomatic relations with Burma, Cambodia and Indonesia. The Peking embassies will have wide possibilities for propaganda among the Chinese communities and this will seriously change the political orientation of the Chinese minorities in the area.

We have cited some data concerning the assumed political orientation of the Chinese minorities in Southeast Asia, including both the working and the exploiting elements of these minorities. In this study we are interested, above all, in the political orientation of the exploiting elements. To a certain extent, the political orientation of the Chinese minorities as a whole characterises the political sympathies of the exploiting elements, although the stand of the working and exploiting elements on questions such as the attitude to the host countries or China are diametrically opposite in some cases. Even if we had exhaustive data on the political orientation of the Chinese minorities as a whole, we would have had to look for some additional criteria that could give us a more exact characteristic of the political orientation of the exploiting elements.

Whereas the criteria of the political orientation of the Chinese minorities as a whole are extremely unstable, relative and indefinite and on their basis one can formulate only general assessments, in the case of the exploiting elements there is an important and quite reliable criterion. The bourgeoisie is cosmopolitan and its homeland is where its capital is invested. This is particularly true of the overseas Chinese bourgeoisie, which migrates as rolling stones throughout and beyond Southeast Asia. We feel that the scale and direction of the movement of Chinese capital outside the Southeast Asian countries, therefore, provide important material for characterising the political physiognomy of the Chinese bourgeoisie in these countries.

Since the Second World War the average annual level of the migration of Chinese capital from Southeast Asia to foreign investment centres has reached approximately 180 million US dollars (altogether in the period 1950 through 1963 the Chinese bourgeoisie transferred more than 2,500 million US dollars from the region, investing this money chiefly in other areas). The source of financing this process is the business profits on the Chinese investments in the area which at present amount to 3,000 million US dollars. If we assume that the annual profit rate of Chinese capital in the area averages 15 per cent (this is by no means the maximum level in Asian developing countries), we shall find that in Southeast

Asia the Chinese bourgeoisie has an annual profit of 450 million US dollars.

Part of the business profit is, obviously, spent on the personal consumption of the numerically large Chinese bourgeoisie (about 750,000 persons together with their families, if we are to assume that the exploiting elements comprise 5 per cent of the Chinese minorities in Southeast Asia). In view of the specific way of life of the Chinese bourgeoisie (they instruct the members of their family in business at a very early age and pay them a salary; at the same time, they are extremely thrifty), it may be assumed that in addition to salaries up to 200 US dollars from business profit are spent annually by a Chinese businessman, including the minors in his family. In this case the total portion of the business profit spent on the personal consumption of the Chinese bourgeoisie in Southeast Asia may be roughly estimated at 150 million US dollars annually.

This leaves the Chinese bourgeoisie with 300 million US dollars annually for the expansion of its enterprises. Out of this sum 180 million US dollars are transferred annually from the host countries, and 120 million US dollars are invested in the area's economy. If we assume that the character of the movement of Chinese capital between Southeast Asia and foreign investment centres is a fairly reliable criterion of the political orientation of the Chinese bourgeoisie in the area, it may be said that the section of the bourgeoisie representing 40 per cent of the Chinese capital and of the profits on that capital is oriented towards the Southeast Asian countries and intends to link its destiny with the host countries. The remaining portion of the Chinese bourgeoisie, which has 60 per cent of the capital and the profits on that capital, has given its sympathies to the PRC, the regime on Taiwan, Hongkong or some other centre.

Needless to say the numerous assumptions that we have allowed for make this a very conditional assessment. It is quite natural that numerically the big and middle bourgeoisie, controlling 60 per cent of the Chinese capital and oriented towards foreign investment centres, is much smaller than the strata of the middle Chinese bourgeoisie that control 40 per cent of the Chinese capital and invest the profits on this capital into the economy of the host countries.

Nonetheless, even on the basis of these very approximate assessments one can draw a number of important conclusions. It is clear that the big Chinese bourgeoisie is very restrained in its attitude to the reinvestment of its profits in the economy of the host countries, and the new Chinese investments in that economy are financed mainly through the flow of capital to new branches from industries that are being closed to Chinese business or are regarded by the Chinese bourgeoisie as unprofitable and unpromising. Thus, in its investment policy the big Chinese bourgeoisie in Southeast Asia strives to maintain its investments in the area at the traditional early post-war level, and refuses to increase them through the reinvestment of profits, transferring these profits abroad or consuming them locally.

It thereby demonstrates its distrust for the host countries, refuses to link its destiny entirely with the destinies of these countries and sees the prospect for its business in the further consolidation of its economic links with foreign investment centres. At the same time, the fact that to this day it refrains from removing its fixed capital from the area's economy is clear evidence of its intention to remain in the area for the time being and adjust itself to the changing conditions for business in the host countries. The impressive scale of the migration of Chinese capital outside the area confirms that this feeling is shared by fairly large segments of the Chinese bourgeoisie in Southeast Asia. In this situation the governments of the countries in the area cannot count on the most influential circles of the Chinese bourgeoisie actively supporting their economic measures.

The geographical orientation of this migration of Chinese capital sheds some light also on the attitude of large sections of the Chinese bourgeoisie in Southeast Asia to the problem of "two Chinas". If we judge the political orientation of this bourgeoisie by the scale of the migration of its capital to the PRC, we shall find that approximately two-fifths of the Chinese bourgeoisie prefers not to quarrel with Peking and shows its loyalty in a very tangible money form. In the period from 1950 to 1963, the PRC received 1,560 million US dollars or 61.1 per cent of all the money sent by Chinese businessmen out of Southeast Asia illegally in the

form of family remittances, investments, various donations and personal savings.

Class intuition tells the overseas Chinese bourgeoisie that in the present leaders of the PRC it has a reliable ally inasmuch as the tolerance of China's military-bureaucratic élite for the remnants of the exploiting classes in the country and its co-operation with the overseas Chinese bourgeoisie are not a tactical subterfuge, but a manifestation of the internal essence of the present regime in the PRC. Big Chinese business in Southeast Asia does not rule out the possibility that capitalism will be restored in China and, therefore, feels that it has to maintain regular political and commercial contacts with Peking. These circles believe that provided they remain loyal to Peking the Mao group could become the protector of their economic interests in the host countries, and in the event repressions against Chinese capital are intensified by the local authorities China would be the last refuge for the Chinese exploiters deported from the Southeast Asian countries. Judging by the scale of the remittances to the PRC from Southeast Asia this is a fairly widespread view among the Chinese bourgeoisie in the area and is becoming more popular today.

Whereas Peking enjoys fairly broad and stable sympathies among the Chinese bourgeoisie, the same cannot be said about the Chiang Kai-shek regime on Taiwan. Chinese capital began to flow to that island from Southeast Asia practically from 1956 onward and, by and large, that flow remained at a very low level. In 1950 through 1963, the sum of Chinese capital from Southeast Asia invested in the island's economy amounted to only 88 million US dollars or 3.4 per cent of the total capital moved out of the area in that period. For every dollar invested by Chinese Southeast Asian businessmen in the island's economy, 18 US dollars were remitted to the PRC. It is quite obvious that the Chiang Kai-shek regime on Taiwan does not have the firm trust of the Chinese bourgeoisie in Southeast Asia. The notorious problem of "two Chinas" has been irreversibly decided by that bourgeoisie in favour of Peking.

Chinese business in Southeast Asia regards the British colony of Hongkong as an extremely promising centre of investment. In 1950-63, overseas Chinese businessmen invest-

ed in Hongkong 667,600,000 US dollars, or 26.2 per cent of the capital, moved out of Southeast Asia. During some years the investments of the overseas Chinese in Hongkong reached the level of the remittances to China. In order to throw light on the political aspect of the investments of the overseas Chinese bourgeoisie in Hongkong it is essential to bear in mind that today the economy of that British colony is dependent on China.

Hongkong retains its attraction to the overseas Chinese bourgeoisie as a promising investment centre, even if only in the immediate future, and also as an ideal go-between in its countless business transactions with Chinese capital. However, it seems to be probable that in investing capital in Hongkong's economy, some of the Chinese businessmen in Southeast Asia are guided not only by commercial motivations relative to the PRC, of which Hongkong is an inalienable part.

The specifics of the overseas Chinese bourgeoisie's investment policy in and outside Southeast Asia lead to some other conclusions on the political orientation of that bourgeoisie. Large segments of the Chinese bourgeoisie have no desire to sink deep roots in the host countries. They oppose co-operation with the local population and do not rule out the possibility of severing in future their ties with the host countries. Although the numerical strength of these segments cannot be accurately gauged, they are quite large.

This bourgeoisie is oriented mainly toward Peking and sends most of the capital illegally removed from the host countries to China. This trend has been most pronounced in recent years. Some segments of this bourgeoisie pursue a more cautious, wait-and-see policy and prefer to use the capital removed from Southeast Asia in Hongkong, so that at a critical moment they can transfer this capital either to the PRC or to an industrialised capitalist state. The political orientation of these segments remains indefinite, but it is most probable that they covertly support Peking. The Chiang Kai-shek regime does not enjoy serious support from the Chinese bourgeoisie in Southeast Asia, particularly in view of the latest developments in Asia.

At the same time, note must be taken, as of a significant trend, of the emergent turn of the overseas Chinese bour-

PEKING EXPLOITS SOUTHEAST ASIA

geoisie towards co-operation with the local bourgeoisie. As we have already noted, a segment of the Chinese bourgeoisie that controls 40 per cent of the Chinese capital and the profits on it has linked its destiny with the countries of Southeast Asia and invests money in the economy of the host countries. A section of the Chinese bourgeoisie that is oriented towards foreign investment centres is also changing its attitude to investing locally. The fact that this section is halting the removal of its investments from the Southeast Asian countries and beginning to return capital to these countries shows that the idea of partnership with the local bourgeoisie is gradually winning popularity and gaining more adherents among the big and middle Chinese bourgeoisie that had formerly felt they could not co-operate with the local authorities and bourgeoisie.

The Chinese bourgeoisie wants Peking's protection of its economic and political interests in Southeast Asia and, at the same time, to remain in the host countries. It is prepared to pay Peking certain political and economic dividends, but prefers to operate in a capitalist economy. So far this is the attitude of a considerable section of the Chinese bourgeoisie. At the same time, some elements in it have lately begun to look for the possibility of continuing their businesses without relying on the PRC and are displaying a growing interest in the idea of integrating with the host countries.

The PRC's efforts to end its isolation in the world, including Asia, will, evidently, inject new elements into the political orientation of the Chinese bourgeoisie in Southeast Asia and intensify pro-Peking feeling among large sections of that bourgeoisie. This tendency clashes with the interests of the struggle for economic independence in the Southeast Asian countries, because in the event the overseas Chinese bourgeoisie is fettered politically to China Peking will have a unique and extremely effective means of influencing Southeast Asia's social and economic development and will not fail to use this means to establish Maoist supremacy in the area.

If that takes place it must be expected that the economic exploitation of the Asian peoples, which has already reached a formidable level, will be further heightened.

1. NATURE OF THE REMITTANCES TO CHINA

In itself political control of the overseas Chinese bourgeoisie is not the end goal of China's Maoist leadership. As we have pointed out earlier, this is only the preparatory phase in the attainment of Peking's Great-Power ambitions in Southeast Asia.

However, the alliance of the overseas Chinese bourgeoisie with Peking is already now bringing the latter substantial economic dividends at the expense of the Southeast Asian countries. The economic links between the overseas Chinese bourgeoisie and the PRC have their own specifics and do not dovetail with any of the classical forms of foreign economic relations practised in the modern world. That is perhaps why they have not been dealt with adequately in literature.

Peking regards its economic relations with the overseas Chinese bourgeoisie as a major component of its policy in this question and pursues the objective of swelling its revenues from that bourgeoisie, using every possible factor to increase the size of the remittances.

Foreign currency remittances from overseas Chinese to China have evolved into a traditional economic link between China and the Chinese minorities overseas. Before the war these remittances came from the mass of Chinese workers emigrating to neighbouring countries and from the capital that migrated because it was dissatisfied with the conditions of its exploitation in China, which in those years was a semi-colony herself. In that period the foreign currency remittances were partial compensation to China for the drain of labour and capital,

These remittances were partially the labour savings of the working elements among Chinese emigrants whose relatives in China could not exist without constant material assistance. According to some data, in the period between the two world wars the remittances from emigrant Chinese workers sometimes reached 90 per cent of all the incomes of their families living in China. As early as 1933, the American researcher C. F. Remer wrote that "some of the money sent back to China is from Chinese labourers. Chinese are employed, to mention a few of the places, on the rubber plantations of the Malay Peninsula, in the tin mines of the Dutch East Indies, and in the tobacco fields of the east coast of Sumatra. These Chinese send remittances back to China which are small in the individual case but which come to considerable sums in the aggregate".¹

On the other hand, these remittances were formed also from the business profits of Chinese entrepreneurs, who had moved capital out of China or had built up their fortunes in the host countries.

At the early phases of Chinese emigration to Southeast Asia the main sources of remittances were the business profits of the exploiting elements in the Chinese minorities, and labour incomes played an ancillary role. In this connection Remer wrote: "It is true that remittances from labourers abroad play a part of some importance, but, generally speaking, remittances from overseas Chinese to China are income from property and the profits of going business concerns."²

According to Remer, one-third of the remittances were from emigrant Chinese workers and the remaining two-thirds from the profits of overseas Chinese entrepreneurs.

This hypothesis is confirmed by the computations of Ta Chen.

After the Second World War this ratio changed in favour of the remittances from exploiting elements. As a result of the halt to the emigration of Chinese labourers to neighbouring countries and the resultant shrinkage of the material assistance to families in China, the growth of the capital of the Chinese bourgeoisie in Southeast Asia, the flight of increasing amounts of Chinese capital and their reinvestment outside the host countries, including in the PRC, and Peking's policy of encouraging the overseas Chinese bourgeoi-

sie, the main sources of the remittances of the Chinese minorities in Southeast Asia to China have now become the business profits of overseas Chinese entrepreneurs. As regards the working sections of these minorities they are, by virtue of their difficult material condition and the weakening of their links with relatives in China, sending less and less money to the PRC.

Interviewed by the author of these lines, a high-ranking official of Singapore's Finance Ministry declared that in Singapore and other countries of the area the legal channels for sending money to China are used only by the unpropertied strata of the Chinese minorities who send inconsiderable sums to China. In the case of large remittances, they are sent extra-legally by overseas Chinese businessmen directly through banks in the host countries in circumvention of the remittance agencies. Thus, the information on remittances from countries that officially permit such operations can give us a true picture of the role played by the working strata of the Chinese minorities in the mobilisation of revenues for Peking.

According to official Thai statistics, the volume of remittances from local Chinese to China dropped from 17,300,000 US dollars in 1950 to 300,000 US dollars in 1960, i.e., by 98.2 per cent. The overwhelming majority of the Chinese sending remittances to China do not use their monthly quota of up to 50 US dollars. Thus, remittances of less than 25 US dollars a month amounted to about 77 per cent of the total postal remittances in 1957, to 87 per cent in 1958, to 92 per cent in 1959 and to roughly 90 per cent in 1960. The number of local Chinese continuing to remit money to China is steadily decreasing. Where officially permitted transmittances are concerned, a similar picture is to be observed in Singapore. In 1953-62, the total volume of legal postal remittances to China dropped from 5,200,000 to 1,800,000 US dollars, i.e., roughly by two-thirds; the number of remittance operations fell from 529,900 to 245,400 annually. While the official monthly quota is 45 Singapore dollars, the monthly remittances in 1962 averaged 24.9 Singapore dollars. The picture is the same in Western Malaysia, where the total remittances dropped from 4,900,000 US dollars in 1951 to 2,300,000 US dollars in 1957.

It may be said that in all the Southeast Asian countries still permitting the local Chinese communities to remit definite sums of money to China, the amounts sent to China by Chinese workers are steadily and rapidly dwindling. The fact that these operations have the official permission of the authorities accentuates the natural trend in the remittances from local Chinese workers and clears the information on this question of distortion. The dynamics of these operations are evidence of the diminishing volume of the remittances from the working majority of the overseas Chinese in Southeast Asia.

It is natural to assume that in the other countries and territories of the area (Burma, Laos, Cambodia, South Vietnam, Indonesia, Portuguese Timor, Brunei and the Philippines) the working elements of the Chinese communities display a similar striving to send material assistance to relatives in China and despite the official ban find extra-legal ways of remitting money to China. Further, if it is assumed that the ratio between the working and exploiting elements of the Chinese minorities in the above-mentioned eight countries and territories is similar to that in Thailand, Malaysia and Singapore and that on the average the working elements send the same amount of money per capita as the working elements in Thailand, Malaysia and Singapore, we can estimate the volume of remittances to China from the working elements of the Chinese minorities in countries and territories where such remittances are officially banned. An important point is that in Burma, Laos, Cambodia, South Vietnam, Indonesia, Portuguese Timor, Brunei and the Philippines the numerical strength of the Chinese population is equal to about 68 per cent of the Chinese communities in Thailand, Malaysia and Singapore. In the context of our assumptions it may be surmised that the remittances from the working elements of the Chinese communities in these countries and territories likewise amount to 68 per cent of the remittances from countries where they are still legal. This is, of course, a very rough estimate and is, evidently, higher than the actual scale of the remittances from working Chinese in the eight countries and territories where they are banned. First, not all the Chinese workers in these countries are able to find the extra-legal channels

for remittances to relatives in China, and under these conditions the official ban restrains these operations. Second, in these countries and territories the living standard is much lower than in Thailand, Malaysia and Singapore, with the result that the Chinese workers have much smaller possibilities for sending money to China than the Chinese residing in Thailand, Malaysia and Singapore.

If it is recalled that in 1950-57 the annual volume of remittances from the Chinese minorities in Southeast Asian countries to China averaged 120 million US dollars, dropped in subsequent years to approximately 100 million US dollars, and rose to 180 million US dollars at the close of the 1960s, this must be taken as an indication of the sharply diminishing activity of the Chinese workers resident in the area in mobilising money for remittances. During the first year following the proclamation of the PRC the working elements of the Chinese minorities in the Southeast Asian countries accounted for about one-third of the remittances from the Chinese communities in the area to China. In 1951-57, their contribution to these operations dropped to about 20-25 per cent; in the 1960s, they accounted for less than 10 per cent; today their share has dropped to almost zero. This means that nearly all the remittances to China now come from the profits of the overseas Chinese bourgeoisie through the exploitation of the peoples of the Southeast Asian countries. Fundamentally, Peking's "legitimate income" from the Chinese minorities is nothing less than the product of the exploitation of the peoples of Asian countries.

Class stratification of the Chinese minorities in Southeast Asia has essentially changed the purpose of the foreign currency remittances. Whereas formerly they were chiefly material assistance to families in China who simply could not exist without these incomes, from the 1920s onwards a growing proportion of these remittances were used for investments in China. The business investments in China's southern provinces, the depositing of part of the remitted money in Chinese banks, the financing of Chinese trade with the countries of Southeast Asia, large donations for education, social insurance and the improvement of the state apparatus in the provinces of origin, and financial support for various political parties in China were the new forms of the economic

Table 4

Remittances from the Working Elements of the Chinese Minorities in Southeast Asian Countries to China
(min dollars)

Year	Legal remittances from			Illegal remittances from the other countries of the area **	Total
	Thailand	Malaysia*	Singapore		
1950	17.3	2.2	4.3	15.2	39.0
1951	4.8	5.0	7.5	11.8	29.1
1952	2.0	4.3	5.1	7.8	19.2
1953	8.2	4.1	5.1	11.8	29.2
1954	10.4	2.6	5.2	12.1	30.2
1955	10.1	2.6	5.2	12.2	30.1
1956	9.6	2.9	5.6	12.1	30.2
1957	9.1	2.2	5.0	11.1	27.4
1958	2.1	2.5	5.0	6.0	15.6
1959	0.5	0.4	4.3	3.9	9.1
1960	0.3	1.4	3.4	3.5	8.6
1961	0.3*	2.5	2.2	3.4	8.4
1962	0.3*	3.0	1.7	3.4	8.4
1963	0.3*	3.0*	1.7*	3.4	8.4
1964	0.3*	3.0*	1.7*	3.4	8.4

* Estimated on the basis of statistics for 1960-62.

** The figures for remittances from other Southeast Asian countries are our estimate based on the assumption that they amount to 68 per cent of the remittances: from Thailand, Malaysia and Singapore.

Sources: Figures published in the Asian press.

links of the Chinese bourgeoisie with China, and these forms absorbed a growing proportion of the remittances and modified the essence of these economic relations of the Chinese minorities in Southeast Asia with China. This evolution was quite distinctly pronounced as early as in the 1920s and the 1930s.

Writing of this evolution, Ta Chen noted: "The Chinese emigrants are usually interested in the welfare of their mother country and of their compatriots. Frequently, they have shown generosity in contributing money for educational and cultural institutions, for charity, famine relief, and

other noteworthy purposes in China. Of late, numerous industrial enterprises on a large scale have been undertaken by Chinese emigrants in co-operation with their friends in China to develop the natural resources, increase the wealth of the country, and give employment to a countless number of poor people."³ By the time war broke out in the Pacific China had used money from overseas Chinese businessmen to build six railway branch lines in the southern provinces, three river shipping lines, a coach service and a number of water supply, power and civilian construction enterprises. Some companies formed by emigrant capital were operating in the mining and processing industries in South China. Overseas Chinese invested heavily in the building of universities, schools, hospitals and cultural establishments.

It has been estimated that before the war 84.5 per cent of the remittances from overseas Chinese to China went to the families of emigrants and the remaining 15.5 per cent were used for investments and charity (whose content was close to investment).⁴ Further, it should be borne in mind that part of the remittances to relatives was used for the purchase of large plots of land, draught animals and farm implements, in other words, for extended reproduction, which were sooner investment expenditures than expenditures for the upkeep of families left behind in China. It may be said that already then the investment expenditures absorbed a larger share of the currency remittances than has been recorded by students of this question in pre-war China.

This change in the ratio between investments and family remittances continued after the war. First, the number of relatives of overseas Chinese in China is decreasing and, besides, the latter are losing interest in sending money to help their compatriots in China. Further, the growth of the share of business profits in the formation of these remittances presupposes that the remittances are increasingly used not for consumption but for investment inasmuch as the bourgeoisie, including the overseas Chinese bourgeoisie, has never been distinguished for philanthropy. Lastly, the movement of considerable Chinese capital to investment centres outside China (Hongkong, Taiwan, Singapore and some industrialised capitalist countries where the overseas Chinese do not have and never had relatives and where, consequently, the

only motivation for remittances is the investment of the transferred capital) is evidence that in the total sum of remittances from overseas Chinese the portion of money earmarked for investment continues to grow.

Moreover, this is indicative of essential changes in the very nature of the remittances. In addition, since the war considerable changes have taken place in the geographical orientation of the so-called family remittances from the Southeast Asian countries.

Prior to the war these remittances went to China, to be more exact, to her southern provinces. Consequently, China was the sole centre of the accumulation of remittances from overseas Chinese. Today the situation has changed fundamentally. We cannot discount the circumstance that a certain section of the Chinese minorities gives its political sympathies to the Chiang Kai-shek regime and sends part of its remittances to Taiwan, where it is invested in the economy. A substantial segment of the Chinese businessmen send large sums of money to Hongkong and refrain from remitting this money to China. An analogous picture has been observed in recent years in Singapore, Malaysia and Thailand, which have also become accumulation centres for large sums of Chinese capital that had earlier been sent for further use in China. Lastly, we must not lose sight of the practice, unknown before the war, of remitting large sums of Chinese capital to industrialised capitalist countries. The changes in the conditions for the operation of overseas Chinese businessmen in China herself and the emergence of a number of investment centres outside China have split the flow of foreign currency remittances from overseas Chinese into several smaller streams, of which only one ends its journey in China. Inasmuch as in all these centres, with the exception of China and, to a lesser extent, Hongkong, the overseas Chinese do not have many relatives, the family motivation for sending remittances to these centres must be discounted. In this, too, we see an essential reshaping of the family remittances.

Lastly, a legal operation before the war, the currency remittances have largely become extra-legal operations inasmuch as the governments of the Southeast Asian countries strictly limit or even ban them. If we consider these remit-

tances from the standpoint of the correlation between legal and extra-legal methods we may describe them as an iceberg where the visible part is identified with legal and the invisible (larger) part with extra-legal ways of sending money.

We have thus every reason to declare that the nature of the foreign exchange remittances from the overseas Chinese to China and other countries has undergone radical modifications inasmuch as there have been changes in the sources forming them, the motivations behind them, the direction of their movement and, lastly, the methods by which they are sent.

We feel that the term "family" remittances no longer mirrors the substance of the economic links between China and the Chinese minorities in Southeast Asia and must, therefore, be specified. In their development the remittances have now passed through a number of new phases and have been transformed to such an extent that they are no longer a harmless form of material assistance to relatives left behind in China.

For that reason in characterising the economic ties of the Chinese minorities in the Southeast Asian countries with the external world it would be expedient to divide the term "remittances" into three concepts: "family remittances", i.e., remittances that are a form of material assistance to relatives living in China and Hongkong; "investment deposits", i.e., remittances used for setting up and expanding enterprises outside the host countries; and "miscellaneous remittances" that occupy an intermediate position between "family remittances" and "investment deposits", i.e., remittances used for housing construction in China, the build-up of funds for a secure old age upon retirement in China, charity donations, and so on. This specification will help to give a better understanding of the essence of the economic links between the Chinese minorities in Southeast Asia and China.

2. FAMILY REMITTANCES TO RELATIVES IN CHINA

In accordance with the evolution of Peking's view of the nature and significance of the foreign exchange remittances to the Chinese economy the Mao group has modified its poli-

cy towards family remittances, which were initially qualified as "the fruit of feudal and capitalist exploitation" and since 1955 have been regarded as the "legitimate income" of the relatives in China of the overseas Chinese. Whereas during the first years following the creation of the PRC the local and central authorities sought to expropriate a large portion of the family remittances on the grounds that they had their origin in exploitation, towards the mid-1950s China adopted a compromise approach to this issue, making concessions to exploiting elements and enlarging the range of critical goods and services placed by the state at the disposal of the recipients of currency remittances coming from the exploiting profit of overseas Chinese businessmen.

During the first years of the existence of the PRC persons receiving family remittances were subject to continuous strong pressure to induce them to deduct without compensation a considerable portion of the remittances in favour of the state, the local authorities and the co-operatives. A large part of these remittances was spent by their recipients on the purchase of government loan bonds, forcible deposits in state banks on long-term accounts, whose use was strictly regulated by the authorities, or used for financing various projects of the provincial authorities and co-operatives, of which the recipients were members. Many of the recipients were denied the right to use the remittances at their discretion. Later these restrictions were partially lifted, but even after this many of the recipients could use for their personal requirements not more than from 10 to 20 per cent of the remittances, the remainder of which went into their blocked accounts in the state banks. In some cases the recipients received only notifications, while the remittances themselves were deposited on their accounts in the state banks or savings banks. The exchange of the remittances into local currency at the official rate spelled out, in view of the considerable devaluation of the Chinese yuan, large losses to the recipients. Due to the unrealistic exchange rate the recipients frequently received only about one-tenth of the money remitted to them.

In order to keep an account of the possibility of obtaining large sums of money from the recipients of remittances the

PRC Government conducted at the close of 1952 a detailed registration of the size of these remittances and stepped up the campaign calling for the "relinquishment of surplus family remittances" to the state. For this purpose all the recipients of remittances were divided into three categories: rich, middle and poor. The first two categories had to give the provincial authorities a detailed account of the money they had received since 1946. For these categories Peking established higher rates of deduction in favour of the state.

Lastly, the strictly limited consumption of the population, including the recipients of family remittances, frequently did not allow the latter to spend the money received by them at their discretion. In the final analysis, both the recipients and the senders from the propertied strata saw that under the obtaining conditions the remittances were not benefitting either the former or the latter. To use the words of a Japanese researcher, the so-called favourable terms for the spending of remittances received from abroad "evolved into a huge swindle".⁵

Even in those years instead of pursuing a consistent policy of restricting and undermining the influence of exploiting elements in China and overseas, the Maoists were inclined to "ultra-revolutionary" methods that failed to yield the proper effect.

In particular, the Peking leaders had wide recourse to the blackmailing of Chinese businessmen who had relatives in China. There was the deplorable case of the notorious "letters from home", that were written either by the relatives themselves at the dictation of the local authorities in China's southern provinces or by the authorities themselves. For instance, in the summer of 1951, fifty-eight influential Chinese businessmen in Singapore received standard letters from the local authorities of Kwangtung Province, in which they were told in threatening terms to remit a total of 20 million Hongkong dollars. The letters stated that in the event this was not done their relatives in Kwangtung Province would be subjected to severe administrative punishment. In one of these letters it was stated that if the addressee did not remit 1 million Hongkong dollars to China, his property in the PRC would be confiscated and 80 of his relatives would

be put to death. That same year another 85 Chinese businessmen in Singapore received analogous letters, in which they were told in the terms of an ultimatum to remit to China a total of 10 million Hongkong dollars. Still another group of 60 Chinese businessmen in Singapore received, also in 1951, letters instructing them to remit nearly 20 million Hongkong dollars to China.⁶ During the initial years of the PRC's existence, quite large sums of money were extorted in that manner. In some cases as much as 200,000 US dollars were remitted. However, it was obvious that this practice could only yield a shortlived result.

After receiving a few of these "letters from home" the senders of remittances usually either entirely ceased sending money to relatives in China or confined themselves to small sums. The recipients of these blackmail letters began making them public, with the result that this practice of the Chinese authorities was ultimately discussed in a number of international organisations.

By the close of 1954, it had become clear to the PRC Government that the methods it was employing to attract family remittances to China were having no success among the overseas Chinese. The policy in this question was, therefore, reconsidered and, as usual, the local authorities were blamed for the gross violations of the official regulations on family remittances. The Chairman of the Overseas Chinese Affairs Committee told the National People's Congress: "If the overseas remittance policy was violated by certain individual places, it was mainly due to the failure of having the policy properly publicised. Another difficulty lies in the fact that in some places the cadres and even responsible personnel were unwilling to envisage the peculiarity of the overseas Chinese problem. These shortcomings and mistakes should be rectified in future work."⁷ Peking took the line of according diverse privileges to the recipients of family remittances in order to attract a flow of foreign exchange along this channel. These privileges were a concession to the overseas Chinese bourgeoisie and activated the remnants of the exploiting classes in China herself.

In 1955, the Overseas Chinese Affairs Committee announced in part: "Remittances from Chinese residents abroad are

the lawful income of their families.... The principle of absolute voluntariness must be fully observed in calling on the families of Chinese resident abroad to join co-operatives of different kinds, to deposit funds in patriotic savings, and to purchase bonds."⁸ The PRC Government gave the recipients of these remittances the guarantee that they could freely spend the money received by them without fearing repressions or the curtailment of their civil rights by the local authorities. It was reaffirmed that "foreign currency goes to the Government, but the income from these remittances goes to private persons".

In the context of its new approach to the question of family remittances the PRC Government reconsidered its attitude to landowners whose land was acquired mainly with money received from relatives living abroad. According to the agrarian reform law of 1950, land purchased with remittances was not subject to alienation. However, in practice the landowners whose land was purchased not without the aid of money received from abroad did not escape repressions from the agencies enforcing the land reform. In the course of the agrarian reform in the southern provinces 90 per cent of the overseas Chinese and their relatives who had purchased land with money received from abroad were qualified as big landowners and their land was confiscated. During the initial years following the creation of the PRC the local Party leadership regarded family remittances as the "fruit of feudal exploitation" that was strengthening the exploiting elements in China's countryside. These landowners were consequently deprived of civil rights and sentenced to re-education by labour for five years. Only a few managed to buy their way out by paying the Government from 500 to 10,000 US dollars. However, the new situation compelled Peking to reconsider its attitude to this category of landowners. In the autumn of 1955, they were reinstated in all their civil rights and equated to the working Chinese peasants by their social origin. The term of their re-education by labour was reduced from five to three years and by mid-1955, all their civil rights were restored to them. By March 1966, 8,233 landowning families of emigrants of the 22,426 families of this category in Kwangtung Province were regarded by the local authorities as well-to-do farmers with all the ensuing

consequences. The same took place in the case of 1,816 land-owning families of emigrants in Fukien Province. It is indicative that repressed landowners who had no relatives overseas were not restored in their civil rights. Somewhat later over 90 per cent of the families of emigrants received plots of land and, moreover, on the recommendation of the local authorities they were admitted to agricultural producers' co-operatives with more than half becoming members of higher-type co-operatives. Thus, Peking began its flirtation with the exploiting elements of the Chinese minorities overseas, a flirtation that led to the activation of exploiting elements in China herself.

Further, the Chinese Government permitted PRC citizens receiving remittances to spend this money on the purchase of shares in mixed state-private enterprises, where previously only the capital of overseas Chinese businessmen was allowed, and accorded them the same rights and privileges that had formerly been enjoyed only by overseas investors. Peking thereby enlarged the social basis of the exploiting elements in China.

Lastly, to encourage remittances, Peking instituted special incentives for the recipients of remittances. The substance of these incentives was that in addition to the equivalent of the foreign exchange remittances in local currency they now received coupons enabling them to purchase, at fixed state prices, an additional quantity of staple commodities over and above the established quotas in shops and retailing agencies that were closed to the population at large. The quantity of these commodities was gradually increased.

All the rights and privileges of the recipients of remittances were at first annulled during the "cultural revolution". The state banks reduced the interest rate on the deposits of recipients of remittances. The issue of coupons for the purchase of additional commodities was halted. In some cities the hungweipings initiated pogroms against and began arresting recipients of remittances. Much of their personal property, particularly valuables and gold, were confiscated during the waves of searches in the homes of these Chinese. All operations with their bank accounts were suspended. Without giving explanations and without presenting certi-

ificates testifying that they had come by their savings honestly, these people could not withdraw more than 500 yuans from their bank accounts.

Table 5

Quantities of Specified Commodities Allowed for Purchase per Coupon by Recipients of 100 Yuans in Remittance From Abroad

Item	Rice (kg)	Wheat flour and beans (kg)	Sugar (kg)	Edible oil (kg)	Pork (kg)	Cotton cloth (m)	Other textiles (m)	Other commodities (yuans)
Original amount, December 1, 1957	5.0	1.0	2.5	1.5	1.0	3.3	—	—
1st adjustment, October 1, 1959	5.0	1.0	1.0	1.0	1.0	3.3	—	—
2nd adjustment, July 1, 1962	13.5	1.5	1.5	1.5	1.0	3.3	0.3	30
3rd adjustment, September 1, 1962	36.0	4.0	2.5	2.0	1.5	4.3	0.6	40
4th adjustment, January 1, 1964	36.0	4.0	2.5	2.0	1.5	5.0	1.6	40

Source: Wu Chun-hsi, *Dollars, Dependents and Dogma. Overseas Chinese Remittances to Communist China*, Stanford, 1967, p. 60.

Naturally, this resulted in a drastic decline of remittances through this channel. According to the figures available to Hongkong banks, the volume of remittances to China during the first months of the "cultural revolution" fell by about 30 per cent compared with the preceding months. Beginning from October 1966, repressions were halted against the recipients of remittances. Since then the authorities have again begun to force people to write to their overseas relatives and ask them to send more money. In the same period a high-ranking PRC official declared that despite

the "anti-capitalist" character of the "cultural revolution", Peking had no intention of applying sanctions to well-to-do emigrants and repatriates.

A system of special coupons was introduced. On these coupons remittance recipients can purchase high-quality goods at low prices. China cannot do without this source of gold and foreign exchange and to keep it open she is again protecting remittance recipients and their rich relatives abroad.

The dynamics of the family remittances to the PRC from the Southeast Asian countries take shape under the influence of many factors. These factors include the economic condition of the overseas Chinese and their relatives in the PRC, the weakening of family ties between them, the measures instituted by Peking to increase the volume of remittances and its attempts to control the largest possible portion of these remittances, the striving of the governments of the Southeast Asian countries to close this loophole for the drain of foreign exchange and their reluctance to complicate their relations with China, the anti-Chinese campaigns in the countries of the area and the concern of the Chinese minorities for an asylum in the event they are deported en masse from the host countries, the integration of the overseas working Chinese with the local population and the orientation of a growing segment of the overseas Chinese bourgeoisie towards investment centres outside Southeast Asia, the emergence of new "promised lands" for the Chinese bourgeoisie and the possibility of using extra-legal means of transferring their capital from the host countries. It may be said that family remittances remain the PRC's principal source of foreign exchange revenues from the overseas Chinese minorities, chiefly from the exploiting elements.

In analysing the significance of the family remittances to the PRC we must use as our point of departure the fact that the real incomes from these remittances are received not so much by the recipients as by the state. Today, when family remittances are not accompanied by regular emigration of able-bodied Chinese, these remittances are for the PRC an income that requires no compensation inasmuch as the PRC takes no part in the reproduction of the labour force in the Southeast Asian countries. These remittances may be regar-

ded as one-sided operations which prejudice the Southeast Asian countries and benefit China.

The benefit to the PRC is that it receives large sums of critical foreign exchange. Had Peking scrupulously observed its own remittance regulations this would have been the only benefit to the PRC from such operations. Indeed, had the recipients been given a fair equivalent of the remitted money in national currency China could not have counted on any other direct benefits than an addition to her gold and foreign exchange reserves. But the point is that a considerable portion of these remittances goes to the state in the form of donations for local requirements, the purchase of state bonds, bank deposits and losses in exchange at an unrealistic conversion rate.

The remittances, thus, give China not only large sums of foreign exchange, for which she in principle promises to pay an equivalent in national currency to the recipients, but also a large portion of this equivalent in national currency. In short, without any expense to herself China receives large sums of money from other countries.

Obviously, large foreign exchange funds thus move in one direction—from the Southeast Asian countries to China.

For the Southeast Asian countries the remittances are an uncompensated drain of capital. This drain would have been justified economically if from China to Southeast Asia there had been a massive emigration of able-bodied people who could by their labour make a large contribution to the economy of the countries in the area. In that case the family remittances would have been natural payment for the employment of labour resources, which could have cost the countries of the area practically nothing. However, the peculiarity of the situation lies in the fact that following the formation of the PRC rigid restrictions and even a ban were imposed on Chinese emigration to Southeast Asia, and in this situation the remittances may be compared to light from an extinct star, the role of which is played by the pre-war mass emigration of Chinese workers to the Southeast Asian countries.

Peking's family remittance policy falls into two periods. In 1950-54, the logic of the revolutionary drive to build the basis of socialism dictated a policy of objectively reducing

the significance of these remittances to China's economic development and eradicating the dangerous consequences of these remittances that could (as in fact they later did) lead to the activation of the remnants of the exploiting classes in China herself and the emergence of an alliance with the overseas Chinese bourgeoisie on principles alien to socialism. Since 1955, Peking's attitude to both the senders and recipients of remittances has been based on a private-capitalist foundation that ensures the existence of approximately ten million relatives of overseas Chinese businessmen on unearned, exploiting income and Peking's close co-operation with the overseas Chinese bourgeoisie.

Although since the war the Southeast Asian countries have made various efforts to stop the foreign exchange drain to the PRC they are unable to close this breach in their balance of payments and bear large, uncompensated losses.

3. INVESTMENTS IN CHINA'S ECONOMY

With the proclamation of the PRC the businessmen among the overseas Chinese minorities had qualms about maintaining pre-war type commercial relations with China, feeling that the people's democratic system in that country held out little prospects for business in China. They were prepared to invest some capital in various branches of China's economy, provided Peking met a number of conditions guaranteeing their class interests. However, during the first few years following the proclamation of the PRC Peking clearly overrated other sources of foreign exchange, banking on a growth of patriotic donations, the purchase of state loan bonds by propertied overseas Chinese and an increase of family remittances from overseas Chinese.

In those years Peking based its economic posture to the propertied strata among the Chinese living abroad on the belief that the vast majority of the overseas Chinese, including the exploiting elements among them, unconditionally sided with the PRC and were prepared to give it every possible assistance without compensation. Viewed from the nationalistic standpoint, these were quite logical forecasts. The fall of the Chiang Kai-shek regime and the victory of the

people's democratic order in China had put an end to her colonial exploitation and division into spheres of influence and enhanced her international prestige as a leading Asian power. This, it was felt, delighted even the wealthy segment of the overseas Chinese. From the class point of view these expectations had no foundation because for the propertied elements among the Chinese minorities in Southeast Asia, who controlled every programme of economic aid to the PRC from the overseas minorities, the people's democratic system in the PRC was a hostile regime which ruled out every possibility of co-operating with it. In this situation large funds could be attracted to the economy of socialist China from the overseas Chinese bourgeoisie only by recasting socialist principles in favour of that bourgeoisie or by financially weakening the overseas Chinese bourgeoisie in order to strengthen China. A compromise that could not last long was adopted by both sides.

Peking, evidently, expected that the exploiting elements of the Chinese minorities in Southeast Asia would voluntarily place their financial resources at its disposal without asking for any compensation. This explains why until 1955 Peking had no regular policy designed to encourage an inflow of Chinese bourgeois capital from Southeast Asia. The fact that during the period until 1955 overseas Chinese businessmen nonetheless continued to invest some money in China was due to their fidelity to the traditional forms of economic relations with China and their wait-and-see attitude toward the new regime in that country.

In its attempts to attract investments from overseas Chinese businessmen Peking initially confined itself to appeals and propaganda campaigns. This only resulted in symbolic success. In 1951, the Military and Political Council of Hainan Island appealed to "overseas compatriots" to help finance the creation of large rubber plantations on the island. These plantations were created, but very little assistance came from overseas Chinese businessmen for this project. Most of the work was done by Chinese working people who had returned to China following the establishment of the people's democratic regime.

The South China Enterprise Company, prototype of the present Overseas Chinese Investment Corporation, was

formed in February 1951 with a capital of 5 million yuans* divided into 100,000 shares of 50 yuans each. These shares were sold to overseas Chinese in three lots: 90 per cent were sold to Chinese businessmen in Hongkong and Macao. This was evidence that initially the Chinese businessmen in Southeast Asia displayed no particular enthusiasm over this move by Peking. The new company's capital was used for the construction of a sugar refinery, a sewing mill, a flour mill, a tar factory and a silk articles factory. In addition, it engaged in wholesale and retail trade in Canton and planned to build factories for the production of starch and a number of medicines.

Another firm of the same type—the Overseas Chinese Industrial Construction Company with a capital of ten million yuans—was formed in Canton in 1953. The shares earmarked for sale were bought by overseas Chinese businessmen and the money thus raised was used for the construction of a hemp articles factory. The Canton Investment Company (capital—ten million yuans) was also set up in 1953. The Fukien Investment Company was formed in 1952 (capital—five million yuans) with the participation of overseas Chinese capital. Initially it planned to open four food enterprises. In addition to these relatively large firms, a number of analogous operations were formed in the southern provinces in 1952-53. These included the Long Yen Overseas Chinese Paper Factory, the Toi San Farm Products Refining Factory, the Shing Nin Tsi Hydroelectric Power Plant and the Haw San Investment Company.

All the companies formed in the early 1950s with the participation of overseas Chinese entrepreneurs were, in financial terms, small operations. Their aims were relatively limited and they could not contribute substantially to the socialist restructuring of China's economy. Besides, many of them had considerable difficulty selling shares to Chinese business circles in Southeast Asia. In order to surmount this difficulty they increased the number of offices selling shares in China herself and in Southeast Asia and widened the circle of potential investors by allowing the relatives of overseas

* In view of the issue of new bank-notes in the PRC on March 1, 1955, all monetary units are given in new yuans to avoid confusion.—*Tr.*

Chinese receiving large remittances to purchase shares. Moreover, they accepted payment for shares not only in foreign exchange but also with deliveries of goods to the PRC.

In the statutes of the very first companies set up jointly in China by the state and private overseas Chinese capital the Government pledged to pay a fixed dividend to shareholders. However, this pledge was not honoured during the first years. On the excuse that these enterprises were operating unsatisfactorily, that the exploiting elements had to be weakened and that China was encountering growing economic difficulties, in some cases the payment of fixed dividends was altogether suspended. This frightened away many Chinese entrepreneurs in Southeast Asia from making any further investments in the Chinese economy.

In August 1955, the PRC Government adopted a set of regulations governing the operations of overseas Chinese investors in China's economy. Officially, the aim of these regulations was to "promote the patriotism and love for their home districts on the part of the overseas Chinese and their active enthusiasm in the participation in the construction of the motherland, and to facilitate overseas Chinese investments in agricultural, forestry and animal husbandry enterprise".⁹ These regulations thus allowed overseas Chinese businessmen to invest money in only very limited and unprofitable branches of the economy. In these branches potential investors could set up private firms or mixed companies with the participation of the state, and to operate singly or with partners. They could count on receiving the necessary land only in state-owned waste hills and wasteland.

During the first five years following the formation of the PRC the Government sought to use the money of overseas Chinese investors mainly to promote the lumber industry, develop virgin land in mountainous areas and forests, enlarge the irrigation network, improve the power system, promote housing construction, build cultural and educational establishments, and so forth. An example is the creation of large rubber plantations in the undeveloped mountainous areas of Hainan Island, a project that was started in 1951. The Government kept repeating its hope that overseas

Chinese businessmen would invest money "in hills and forests to help the country develop the economy of these mountainous areas",¹⁰ promising to give them ample time and rights to enable them to make their enterprises operate profitably.

In an appeal to the Chinese minorities in the Southeast Asian countries the Chairman of the Overseas Chinese Affairs Committee declared: "The overseas Chinese are allowed to lease hills, forests and waste land from the State for farming and lumbering purposes. *This gives the capital of the overseas Chinese a new outlet and fully manifests the concern of the Government for the overseas Chinese.*"¹¹ However, this sort of economic activity failed to attract overseas Chinese capital because it required large long-term investments with a low profit rate and entailed considerable entrepreneur risks. The Chinese bourgeoisie in Southeast Asia displayed little interest in these propositions from Peking and showed no eagerness to invest money in China's economy on these terms. At the beginning of the 1950s, despite Peking's emphatic recommendations, the bulk of the overseas Chinese investments were directed into the manufacturing industry and internal trade and not into the development of "hills and forests". Moreover, Peking's strict control of these firms did not suit overseas investors.

The Government had adequate means for rigidly controlling the firms set up with the participation of overseas Chinese capital. In all these firms at least 30 per cent of the shares were owned by the state. The board of directors usually included experts from among influential overseas investors, but the key positions were held by PRC officials, who had the final say in the affairs of the firms. The investments made by these firms were regulated by state agencies. In addition the state controlled the credit, supply and marketing relations of these firms with state-run enterprises. This policy of strengthening socialism in China found no support among the overseas Chinese bourgeoisie.

The unattractive areas of investment recommended to overseas Chinese businessmen, the ceiling fixed for dividends and state control of the mixed companies predetermined the restrained attitude of the overseas Chinese entrepreneurs to investments in China's economy during the first half of the

1950s. Until 1955, the number of firms formed with the participation of overseas Chinese capital did not exceed ten, and in most cases these were small operations, whose aggregate capital did not top 100 million yuans. If it is borne in mind that 70 per cent of the shares of these companies were owned by overseas investors it will be seen that prior to 1955 the capital invested by them in China's economy did not exceed 70 million yuans. Besides, until 1955, many of the mixed companies were unable to sell all the shares earmarked for sale to overseas investors. According to the press in Hong-kong, until 1955, no overseas Chinese investor had more than two million yuans' worth of shares in the mixed companies.

The Chinese bourgeoisie in Southeast Asia ignored Peking's call for large investments in China's economy, considering the PRC's proposals as unprofitable. Peking's hopes for a massive flow of capital from overseas Chinese businessmen were thus blasted.

Peking's lack of political scruples and its eagerness to attract money from the Chinese bourgeoisie resident in Southeast Asia induced it to make substantial concessions to potential investors among Chinese businessmen in neighbouring countries.

The opportunities for their investments were considerably enlarged after 1955. Overseas Chinese entrepreneurs were allowed to put money into mixed enterprises throughout China (prior to 1955 such enterprises were confined to the southern provinces, which had for many decades been the principal areas of emigration to Southeast Asia).

Second, and this was a more substantial concession to these businessmen, Peking allowed them to invest in industry, internal and foreign trade, banking, insurance and the PRC's municipal economy. Overseas Chinese capital was allowed to take a much larger part in setting up cultural and educational establishments.

The PRC Government was particularly careful to guarantee the investments of overseas Chinese against expropriation. In February 1955, it announced officially that the remittances from overseas Chinese were the legal income of their families.¹² The rule that foreign currency is placed at the disposal of the Government but the revenue from these

remittances goes to their owners began to be enforced more strictly. Playing on the nationalistic feelings of the overseas Chinese businessmen, the Government devised a new way for attracting investments from them, officially regarding such investments as both a lucrative opportunity for them to use their capital and as important aid to their motherland.

Peking reinstated repressed landowners in all their civil rights, thereby showing its willingness to reckon with the interests of the exploiting elements among the Chinese minorities in Southeast Asia, provided they invested part of their capital in China's economy.

In 1957, it was announced that the investments of Chinese living abroad would remain their property even after socialism was established in China. If so desired by their owners investments could be repaid in Chinese currency at the expiry of 12 years. Investors were guaranteed an annual dividend of 8 per cent. In China this was a high rate: the owners of shares of ordinary mixed companies received an annual dividend of 5 per cent.

Special bonuses in Chinese currency were established for cases where good financial returns were shown by enterprises set up with the participation of overseas Chinese investors. With the automatic permission of the Chinese authorities half of the set dividends could be remitted to the investors' country of residence in that country's currency. If the investors did not remit the permitted sum, they could use the money to acquire coupons for the purchase of goods at fixed prices in specialised shops: the coupons could be used by the investors themselves or by their relatives in China. The remaining 50 per cent of the dividends were deposited in their accounts in Chinese banks and were repayable, together with the original investment, at the expiry of 12 years. At the end of 12 years¹³ the investors could recover their investments or prolong them for another 12 or six years. The same privileges were enjoyed by investors if the money invested by them remained at the disposal of Chinese enterprises for another 12 years. If the investments were prolonged for only six years their owners received a fixed annual dividend of 7 per cent of the total investment, while coupons usable at specialised shops amounted to

only 25 per cent of the dividends. True, the prolongation of investments for six or 12 years was not accompanied by the right to remit part of the dividends abroad. All investments without exception were personal, i.e., they could not be transferred to other persons and were not inherited by relatives in the event of the demise of the owner. Settlements on these investments were made by the Chinese state banks at the official rate of 2.46 yuans per one US dollar.¹⁴ The holders of shares in these companies and their relatives in China were given priority in the employment of personnel by these companies. Prior to 1963, it was sufficient to own shares totalling 10,000 yuans to have the right to receive employment in the given company. Since 1963 in order to have this right it has become necessary to own shares totalling 20,000 yuans.

A striking point is that in keeping with this regulation the foreign exchange going to China in the shape of investments may not be repatriated. Only insignificant sums in foreign exchange amounting to 50 per cent of the dividends may be selectively remitted abroad in the course of the first 12 years. Peking is tightly shutting the door to the outflow of investments in foreign exchange, offering instead some benefits and privileges for overseas Chinese investors and their relatives in China. The growing accumulations of Chinese yuans in the accounts of investors are in the long run used by the state to further its own interests.

Peking has launched an energetic campaign featuring its new approach to overseas Chinese investments in China's economy. The Deputy Chairman of the Overseas Chinese Affairs Committee wrote the following on this question: "In order to direct the investments of Chinese emigrants into the proper channel the Government is pursuing a policy to bring these investments into line with the state economic plan and to take the wishes of the emigrants themselves into account. The main investments must go into the state credit agencies. Investments may also be made in co-operative and mixed state-private enterprises. Parallel with this there may be cases of private exploitation (individual, on the basis of an association or in the form of a joint-stock company). This policy gives Chinese emigrants the possibility of select-

ing a desirable form of participation in the development of local industry and agriculture.

"In order to safeguard the interests of Chinese emigrants who have invested money in enterprises the people's committees of Kwangtung and Fukien provinces have ruled that investments do not change the class affiliation of all Chinese emigrants investing money through state credit companies. The money put by them into these companies shall remain their property even after a socialist society is built."¹⁵

Steps were taken to strengthen the organisational structure of enterprises set up with the participation of overseas Chinese capital from Southeast Asia. Whereas during the initial years of the existence of the PRC the investments of overseas Chinese businessmen were scattered in innumerable mixed state-private companies, by the mid-1950s this capital was concentrated in three of the largest companies, namely, Overseas Chinese Industrial Construction Company, South China Enterprise Company and Canton Investment Company. In 1955, these enlarged companies were merged to form the mixed Overseas Chinese Investment Corporation with an initial capital of 50 million US dollars.

The directors of this company included prominent businessmen residing in Southeast Asia. The company set up close contacts with the leading state banks handling operations involving the capital of Chinese entrepreneurs in Southeast Asia with the object of attracting more Chinese capital from that area. In addition, it entered into contact with many private Chinese banks operating in these countries and used them to sell more shares to overseas Chinese businessmen. This reorganisation gave a solid basis to Peking's campaign to attract overseas Chinese capital. Subsequently, the Overseas Chinese Investment Corporation set up 12 subsidiaries in Kwangtung, Kwangsi, Fukien, Yenan, Shantung, Liaoning, Shanghai, Wuhan, Hankow, Nanking, Tientsin and Hangchow, i.e., in the provinces and cities where overseas Chinese entrepreneurs are most active.

By 1963, over 100 enterprises had been formed in China under the aegis of the Overseas Chinese Investment Corporation. While the investment companies were being reorganised, the Government announced that henceforth they would

belong entirely to the state, in other words, that they would no longer be mixed operations with a precisely fixed percentage of privately held shares. By the close of 1966, there were nearly 140 enterprises of this category in operation in China.

Facts point to the growth of overseas Chinese investments in China's economy. Prior to the war, 15.5 per cent of the remittances from overseas Chinese were invested into China's economy. During the first years following the formation of the PRC investments in the shape of foreign exchange remittances were close to zero. Investments by overseas Chinese businessmen in the PRC's economy began to grow slowly only after 1955, when the regulations governing these investments were significantly liberalised. In 1957, investments comprised 2 per cent of the remittances to China and in subsequent years their volume increased gradually.

The data available to us on the investments of overseas Chinese businessmen concern only two of China's 11 provinces. These two provinces, Kwangtung and Fukien, remain the leading centres of investment by overseas Chinese.

Table 6

*Investments by Overseas Chinese
Businessmen in Kwangtung and Fukien
Provinces
(thous dollars)*

Year	Kwangtung Overseas Chinese Investment Company	Fukien Overseas Chinese Investment Company
1955	5,856	—
1956	8,073	—
1957	8,977	—
1958	10,915	9,363
1959	14,898	10,047
1960	16,536	12,988

Source: Wu Chun-hsi, *Dollars, Dependents and Dogma. Overseas Chinese Remittances to Communist China*, Stanford, 1967, p. 57.

Very little gets into the world press about the operations of the mixed companies in which overseas Chinese capital participates. Some idea of these operations is given by the information about the results of the transactions of the largest of these companies, the Kwangtung Overseas Chinese Investment Co.

Of the approximately 100 enterprises that had been set up in China by 1963 with the participation of overseas Chinese capital this corporation controls 68. They include ten factories producing fertilisers, agricultural chemicals and insecticides, five enterprises manufacturing and repairing farm machines, five sugar refineries, five tar-manufacturing plants, one glucose factory, two fruit-canning plants, seven paper mills, five textile mills, three factories producing enamelled crockery, one glass factory, two hydraulic pumping stations, ten firms engaged in foreign trade and in servicing tourists and the local population, and two farms producing tropical and subtropical raw material for industry. The capacity of some of them gives an indication of their size. For instance, the enterprises operated by the Kwangtung Overseas Chinese Investment Corporation included a sugar refinery processing 40,000 tons of sugar cane daily, a jute factory producing 28,000 sacks a day, and a fertiliser factory with an annual output capacity of 2,000 tons.

Considerable overseas Chinese capital is invested also in Fukien Province. In the period 1952-59, the investments increased more than sevenfold. By 1960, these investments had been used for the building of two paper mills, three sugar refineries, six power stations, two vegetable oil plants, two canning plants, two confectioneries, one technical rubber factory, one chemical factory, two porcelain factories, four tar factories, one carbide factory, one glass factory, two coal mines and other enterprises.

The size of these enterprises may be gauged from their annual output: 86,000 tons of sugar, 5,000 tons of vegetable oil, 10,000 tins of preserves, 14,000 tons of paper, 4,000 tons of tar and 80,000 tons of coal. Most of these enterprises are, evidently, small or medium.

Similar firms were formed in other provinces of South China, where they built sugar refineries, farm produce processing

mills, paper mills, technical rubber plants, small power stations, and so on.

As we have noted earlier, after 1955 the PRC Government made large concessions to overseas businessmen. With the exception of a few farms specialising in tropical and subtropical crops and a number of pumping stations serving local irrigation networks, most of the investments of the overseas Chinese businessmen are in the light industry, i.e., in branches that the PRC Government had initially decided to close to overseas Chinese capital. The same applies to foreign and internal trade and enterprises offering services to foreign tourists. It may be concluded that the PRC Government's attempt to direct overseas Chinese capital into the development of "hills and forests" ended in utter failure and that it had to give the Chinese bourgeoisie residing in Southeast Asia greater access to China's economy.

Thus, in order to attract overseas Chinese capital from Southeast Asia Peking gradually departed from socialist principles. At first it accorded fundamental recognition to the possibility of co-operation with the Chinese bourgeoisie in China's economy on stringent terms. It then sharply enlarged the area for overseas Chinese investment and, under pressure from overseas Chinese businessmen, ultimately guaranteed the inviolability of their property in China and agreed to pay a fixed minimum dividend on capital invested in China's economy. This surrender was so obvious that even capitalist authors qualify it as a retreat from the principles of socialism.

For example, a journal published in Hongkong wrote that "in their desperate shortage of foreign exchange, the Chinese have sacrificed some of their Marxist principles to the necessity of tempting hard currency into the country with offers of excellent dividends".¹⁶ Writing of the new regulations governing investments in China by overseas Chinese, a Japanese researcher noted: "By adopting the first five-year plan the Government clearly set its sights on socialist construction, but in order to disperse the anxiety of the overseas Chinese regarding the fate of their investments it legalised the regulations governing these investments, regulations that in no way tie in with the internal regime."¹⁷

4. OTHER FORMS OF ECONOMIC RELATIONS

Peking's recourse to other forms of economic relations with the Chinese minorities in Southeast Asia is dictated by the desire of the senders of remittances to secure a more realistic foreign currency exchange rate for Chinese yuans and by Peking's attempts to wring more money from the Chinese minorities living in neighbouring countries. The nature and popularity of various forms of these relations depend on the situation in the PRC itself and in the Southeast Asian countries.

In view of the unfavourable exchange rate, the shortage of goods in China and the resultant growth of the prices of prime necessities, the private overseas agencies handling remittances had in the early 1950s, with the full agreement of the recipients of these remittances, switched to the sending of commodities. This was effected through foreign trade channels if the quantity of these commodities was considerable and was paid for in currency of unspecified origin; parcels weighing up to 20 kg, through overseas Chinese visiting China and taking a large quantity of luggage for their relatives, and, lastly, smuggling. Naturally, this substantially reduced the flow of foreign exchange to China and, consequently, of the Government's revenues from remittance operations. Peking decided to end this unfavourable situation.

As a first step it sharply raised the customs dues on commodities brought into China on foreign exchange of unstated origin, thus making this form of material assistance impractical both for the senders and the recipients.

The maximum quantity of customs-free luggage brought into China by overseas Chinese was sharply reduced. Under the regulation dating from 1963, overseas Chinese visiting China are allowed not more than 200 kg of luggage with foodstuffs not exceeding one-tenth of the total. Overseas Chinese going to China for a short visit are allowed only 100 kg of luggage. This channel of material assistance to relatives in China has, thus, been substantially narrowed.

In addition, the PRC Government is gradually restricting the flow of consumer goods to relatives by parcel post. In 1963, this form of material assistance was considerably curtailed. The maximum weight of food parcels mailed from

Hongkong and Macao (from where the bulk of parcels is sent) was limited to two pounds, and the cost to five yuans. Relatives were permitted to receive not more than one parcel a month. The weight of parcels sent through the agency of specialised shops maintained by the PRC overseas (where the cost and dues were paid in advance) was established at two kg. Additional limitations were established on New Year gift parcels in 1964: the maximum cost of these parcels was 50 yuans, with the addressee allowed to receive not more than six parcels a year. Senders in Hongkong and Macao were allowed to mail not more than 12 parcels a year each costing not over 20 yuans.

The import dues on these parcels were sharply increased. For instance, in 1962, these dues amounted to 100 per cent of the price of textiles and textile articles, 40 per cent of the price of medicines, 150 per cent of the price of clothes and other consumer goods, 20 per cent of the price of canned food.

It is, of course, practically impossible to estimate the value of the food parcels that went to China during famine years because they were sent via different channels and from different places. Hongkong was the main source of food parcels in 1959-63.

According to available estimates, the parcels sent to China via Hongkong in 1959-62 were worth 75,400,000 Hongkong dollars plus postage amounting to 60,300,000 Hongkong dollars. Nearly 960,000 tons of commodities went to China through this channel from Southeast Asia in 1961-62.

In the same period parcels containing food worth approximately 20 million Hongkong dollars went to China via Macao. Large sums in the shape of food parcels to relatives in China were received also from Singapore, Cambodia, Indonesia and some other Southeast Asian countries.

These were large sums in foreign currency that, consequently, reduced the flow of foreign exchange to China.

At first food parcels were sent through the agency of overseas Chinese businessmen in whose hands were concentrated the foreign currency funds of the senders of these parcels. From 1958 to 1962, the number of specialised agencies accepting foreign exchange in payment for postal parcels increased from 18 to 1,450 (according to some figures—to 3,050) in Hongkong alone.

Table 7

*Quantity of Food Parcels Dispatched to
China Via Hongkong*

Year	Quantity (units of 2 pounds each)	Total postage paid (mln US dollars)
1959	870,000	0,370
1960	3,700,000	1,555
1961	13,600,000	5,700
1962	13,958,000	5,867
1963	5,400,000	2,700
1964	5,400,000	2,700

Source: Wu Chun-hsi, op. cit., pp. 68-69.

In Peking it was decided to take over these operations. As from 1959, the passage of food parcels was concentrated at two points on the frontier with Hongkong and Macao. In Hongkong the China Travel Service, a PRC state-operated agency, was authorised to handle all food parcel operations at its offices in Hongkong and in the Southeast Asian countries. In Thailand, for instance, these operations have been conducted by the pro-Peking Ho Te Company.

Through the China Travel Service and its subsidiaries overseas Chinese may order the delivery of food parcels to relatives after paying the postage and the customs dues. This has enabled the PRC Government to restore control over considerable sums of foreign exchange that had been paid for the mailing of food parcels.

In 1962, when the food situation in China somewhat improved, Peking steered toward the complete cessation of food parcel operations. The number of these parcels gradually diminished with the result that the flow of remittances to relatives was resumed in ever growing proportions.

Soon after the PRC was proclaimed Peking sought to float large loans among overseas Chinese with appeals to their patriotic feelings. In the beginning this project was, on the whole, quite successful. For example, the "victory loan" bonds issued after October 1949 were bought up by the over-

seas Chinese. In 1950 alone, the Chinese communities in the Southeast Asian countries bought 2,500 million yuan's worth of these bonds (some observers regarded this as a "considerable success"¹⁸). During the war in Korea large sums were obtained from the overseas Chinese by the floating of loans such as the "loan for the struggle against the USA and for aid to Korea". The sale of bonds of "loan for economic rehabilitation" to the tune of 6,000 million yuan was started among the overseas Chinese in 1954. These bonds were sold not only to overseas Chinese, but also to their relatives receiving remittances. The latter were obliged to buy state loan bonds for a certain part of the money received by them.

However, the enthusiasm of the overseas subscribers to Chinese loans soon petered out. By approximately 1955, there was a drastic decline of revenue from the sale of PRC state loan bonds to the Chinese minorities in the Southeast Asian countries. Today there is no demand for such bonds among overseas Chinese.

Mention must also be made of the large contribution made by overseas Chinese businessmen towards financing the operation of PRC representatives in Southeast Asian countries (Burma and—until recently—Cambodia and Indonesia). Although in the given case these large contributions are spent in the countries concerned, they are neither more nor less a clandestine form of sending foreign exchange to the PRC. In some cases local Chinese businessmen helped to finance the propaganda campaigns of the PRC embassies, the current expenses of embassies and missions and even the implementation of the economic aid agreements signed by the PRC. For example, the building of four factories in Cambodia under an economic aid agreement signed with the PRC was financed by local pro-Peking Chinese businessmen.

It is not hard to see that this covert form of unilateral economic assistance by local Chinese businessmen may reach large sums that may be justifiably regarded as part of the PRC's revenues from the Chinese minorities in the Southeast Asian countries.

Moreover, the so-called "donations" of the Chinese minorities to the PRC's official representatives in the Southeast Asian countries and the Chinese chambers of commerce should not be discounted.

Peking resorted to the unprecedented practice of allowing overseas Chinese to "ransom" relatives from China. Any overseas Chinese paying a foreign subsidiary of the Bank of China or a specialised agency a sum ranging from 300 to 3,600 US dollars could count on a relative receiving a permit to leave China. If the relative concerned did not desire to leave China, the people's commune in which he resided received instructions to issue a sum of money in yuans or the equivalent in foodstuffs. In 1961, these transactions brought the PRC revenue estimated from 33 million to 55 million US dollars.¹⁹

In recent years, with the view to attracting foreign exchange Peking began building many townships in the suburbs of large towns in South China where wealthy overseas Chinese could buy luxury houses and live in retirement. In the suburbs of Shanghai, Canton and Peking special areas have been allocated where wealthy Chinese residing abroad are allowed to purchase land at a discount and build houses according to their own tastes. The owners of such houses are exempt from real estate tax for six years, and the houses bought on hard currency remain the property of these wealthy repatriates. Despite the present acute housing shortage the authorities in China find it possible to provide wealthy repatriates with modern housing measuring up to 117 sq m. Playing on the nationalistic feelings of the older generation among the Chinese minorities, the Bank of China and the Shanghai Overseas Chinese Investment Corporation offer such housing on a long-term instalment plan. Repatriates are provided with building material and, if they so desire, are permitted to import such material on their foreign exchange savings through state foreign trade agencies.

This concern for the wealthy strata among the Chinese minorities has not remained without a response. The Indian demographer Chandrasekhar, who visited one of these townships, noted that he spoke with rich Chinese businessmen who had moved to China from Malaysia, Indonesia and other Southeast Asian countries. All had paid the full cost of their houses and had invested their large fortunes into mixed enterprises.²⁰

This venture by Peking, is, thus, not confined to attracting money from wealthy repatriates for housing construction, it

is sooner aimed at drawing into China's economy the large fortunes of the overseas Chinese businessmen who have decided to retire and return to their homeland. Pressured by the authorities, many aged repatriates invest their savings into mixed state-private enterprises on the terms we have discussed earlier. Virginia Thompson and Richard Adloff write that this source has enabled one of these companies to build several factories. The scale of such operations may be gauged from the fact that in Shanghai alone there now are nearly 90,000 new-fledged investors, most of whom are wealthy repatriates from Southeast Asian countries. According to some estimates, about 8 per cent of the remittances to China are from this category of overseas Chinese.²¹

Further, efforts are made to entice to China trained specialists in branches of the economy where there is a shortage of such personnel. Peking constantly hunts for these specialists and many of them go to China. This, too, inflicts on the Southeast Asian countries losses amounting to millions of dollars annually.

Lastly, since 1957 Peking has been calling on overseas Chinese capitalists to invest money in the building of schools in workers' districts, promising them seats on the boards of directors and a say in the employment of teachers at these schools.

Even where no direct diplomatic and commercial relations exist, the remittances for family support, the investments and other economic ties with the Chinese minorities in Southeast Asia continue to bring China substantial revenues from the countries in that area.

5. SCALE OF THE REMITTANCES TO CHINA

On account of the dearth of official statistics it is very difficult to analyse the remittances of the overseas Chinese to the People's Republic of China. In view of the impressive volume of these remittances, the exploiting nature of this revenue and the vulnerability of the PRC's position as a socialist state maintaining special relations with the Chinese bourgeoisie resident in developing countries, no statistics whatever are published on the volume of the foreign exchange

and commodities flowing to China from the propertied strata of the Chinese minorities in the Southeast Asian countries.

Nonetheless, assessments have been offered by many bourgeois researchers. Most of these evaluations are based on at least three assumptions. The first is that all the foreign exchange and commodities are sent via Hongkong. Actually, this is not true. In particular, this assumption ignores Macao, through which pass considerable quantities of overseas Chinese capital. Moreover, in Southeast Asia and Hongkong there is a number of official PRC agencies that have the possibility of secretly sending large sums of money directly to Peking. Considerable possibilities are opened for this by China's commercial dealings with Southeast Asian countries, and Peking, evidently, uses these possibilities. Lastly, along the poorly controlled Sino-Burmese border there, probably, are loopholes through which considerable material values can drain to the PRC, at least from the countries in the Indochinese Peninsula. This is borne out by the flow of gold to China across that border.

The second assumption is that all the foreign exchange and commodities sent to China by overseas Chinese go through legal channels (banks and the post) and pass through customs and currency control in Hongkong. The broad exchange of tourists and business delegations between China and the Southeast Asian countries, the young people who go to the PRC to study, and the smuggling network, many of whose sources are in China's southern ports (the evidence being the availability of Chinese-made goods even in countries that have no commercial links with the PRC) create the conditions for the non-declared export of considerable values from Southeast Asia to China.

Lastly, there is the possibility of utilising funds earmarked for Peking by overseas Chinese in the host countries, chiefly in countries where Peking has official representatives. Naturally, this diversity of the means of sending money to China makes it difficult to ascertain the actual volume of the remittances. Nevertheless, the considerations we have offered lead to the conclusion that all the evaluations of these remittances to China are underestimated rather than overestimated.

Available statistics relating to the volume of foreign exchange remittances to China from overseas Chinese are only

very rough estimates by different researchers and a further check is required before they can be regarded as trustworthy. In view of the absence of official statistics researchers studying this problem use various methods for estimating the volume of foreign exchange remittances. Some endeavour to determine the per capita sum of money remitted by the overseas Chinese in the host countries and then by simply multiplying this figure by the number of Chinese living outside China obtain the total sum of foreign exchange remittances to the PRC. This method is patently imperfect because in practice it is impossible to obtain an accurate measure of both the multiplicand and the multiplier. A variety of this method entails determining the total remittances by estimating the mean sum of money received by the relatives of overseas Chinese and the total number of such relatives receiving material assistance from abroad. In this case an additional negative factor is the circumstance that no account whatever is taken of the investments of overseas Chinese in China's economy. Other researchers try to solve the problem by taking into account the volume of remittances sent through the main channels of the network attracting capital from Southeast Asian countries to China. The shortcoming of this method is that it does not exclude the possibility of repeatedly taking into account one and the same operation in the different links of that network and ignores the remittances that go to China directly and via extra-legal channels. Another group of researchers attempt to get the answer by adding up the figures given in the statistics of the host countries. The incompleteness and, in some cases, the total absence of such statistics and, moreover, the fact that extra-legal remittances cannot be registered reduce the worth of this generally promising method. Still other researchers analyse the statistics relating to China's balance of payments or the profit rate on the investments of overseas Chinese businessmen and attempt to determine the volume of the remittances to China with the aid of casual coefficients.

In short, the methods used for evaluating the volume of remittances have many drawbacks. We shall be able to check the accuracy of the present evaluations only when official statistics are published in the PRC.

In order to evaluate the actual scale of China's revenues from this source it is important to see that the computations made by bourgeois researchers obviously belittle the size of these revenues because they disregard the money that goes to China through channels other than Hongkong. Besides, these estimates ignore the sums that are received and spent by Peking's official representatives abroad without remitting these sums to China. The contraband inflow of gold and foreign exchange for individuals living in China is ignored both by bourgeois experts and by official Chinese agencies.

According to some estimates, there has lately been a sharp increase of remittances from the exploiting elements of the Chinese minorities in Southeast Asia to China. The figures published in the Western and Asian press give the total as 246 million US dollars in 1962, 225 million dollars in 1963, 162 million dollars in 1964, 180 million dollars in 1965, 90 million dollars in 1966 and in 1967, 135 million dollars in 1968 and 180 million dollars each in 1969 and in 1970.²² Lastly, the fragmentary data given on this question by Chinese agencies indicate that the remittances from Southeast Asia began to grow since the close of the 1950s at least and that their initial level was much higher than has been assumed by foreign researchers.

It is our belief that in the period from 1950 to 1957 the remittances from the Chinese bourgeoisie resident in the Southeast Asian countries to the PRC averaged 120 million US dollars annually in foreign exchange and commodities. In 1958-65, they dropped to 100 million US dollars annually, chiefly because of the decrease of remittances from the working elements of the Chinese minorities who had linked their destinies with the host countries and lost interest in China. In 1964-65, the remittances increased to 180 million US dollars annually. During the "cultural revolution" they diminished to 90 million US dollars annually, and after 1967 regained the level of 180 million US dollars annually. In the event China establishes direct diplomatic and economic relations with the Southeast Asian countries and in view of Peking's overall activation on the Asian political scene there may be a further drastic increase of remittances from the Chinese bourgeoisie resident in Southeast Asia.

It is extremely difficult to ascertain the total remittances to China from each of the Southeast Asian countries in view of the inadequate statistical service in these countries, the absence of data on this question in China and the intricate, frequently multi-tiered movement of remittances from the Southeast Asian countries to China.

The Overseas Chinese Affairs Committee on Taiwan has estimated that in the period 1953-63 remittances flowed to China in the following proportions: 24 per cent from the Malay Federation, Singapore and Northern Kalimantan, 20 per cent from Indonesia, 16 per cent from the Philippines, 16 per cent from Thailand and 12 per cent from Cambodia, Laos and South Vietnam. According to Wu Chun-hsi's computations (whose shortcomings we have discussed earlier), in the period 1950-64, 26.9 per cent of the remittances to China came from Malaysia and Singapore, 10.5 per cent from Indonesia, 12.3 per cent from the Philippines, 20.1 per cent from Thailand, 1.8 per cent from Cambodia, Laos and South Vietnam and 0.2 per cent from Burma. The proportion of the remittances sent to China from each of the Southeast Asian countries may, therefore, be assumed as 0.4 per cent from Burma, 2.6 per cent from Cambodia, Laos and South Vietnam, 14.6 per cent from Indonesia, 17.1 per cent from the Philippines, 27.9 per cent from Malaysia and Singapore and 37.4 per cent from Thailand.

According to these estimates, in 1950-71 there was an annual drain of up to 130 million US dollars from the Southeast Asian countries as a result of the one-sided, uncompensated remittances of foreign exchange and commodities by the local Chinese bourgeoisie to China. Inasmuch as the source of these remittances is the entrepreneur profit of the Chinese businessmen in the host countries and inasmuch as Peking pursues a policy of deliberately encouraging a larger flow of revenue from this source it may be asserted that China actively participates in the exploitation of the peoples of these countries through the pro-Peking overseas Chinese bourgeoisie.

The revelation of this fact characterises in a new way the role played by Peking in the national liberation movement in the developing Asian countries today. China's participation in the exploitation of the peoples of these countries

Table 8

*Probable Volume of Remittances of the
Chinese Bourgeoisie in the Southeast Asian
Countries to China*
(mln US dollars)

Year	Sum	Year	Sum
1950	120	1962	100
1951	120	1963	100
1952	120	1964	180
1953	120	1965	180
1954	120	1966	90
1955	120	1967	90
1956	120	1968	180
1957	120	1969	180
1958	100	1970	180
1959	100	1971	180
1960	100	Total for	
1961	100	1950-71	2,820

explodes the Maoists' assurances of their fidelity to the national liberation movement in Southeast Asia and provides further evidence of the untenability of Peking's pretensions to the leadership of developing countries.

It must be expected that the Southeast Asian peoples, whose aim is to shake off foreign exploitation, will draw the proper conclusions from the fact that China is helping to exploit her neighbours.

IN VIOLATION OF NATIONAL SOVEREIGNTY

Peking's special economic relations with the Chinese bourgeoisie resident in the Southeast Asian countries inflict on these countries not only a direct loss through the drain of large sums of money without any compensation whatever to the national economy, but also indirect losses. The subversion of the economic policy pursued by the Southeast Asian countries, the encouragement of heinous practices such as smuggling, black market dealings in gold and foreign exchange, the creation of artificial shortages of consumer goods, speculation in critical commodities, systematic violations of customs and currency sovereignty and the maintenance of illicit contacts with representatives of a foreign power in the host countries undermine the efforts of the Southeast Asian states to speed up economic development and reduce the efficacy of their economic policy. Peking encourages these actions of the overseas Chinese bourgeoisie, receiving large revenues and weakening the national liberation movement in that area.

The most glaring aspects of these special relations between China and the Chinese bourgeoisie resident in Southeast Asia are brought to light by an analysis of the mainly extra-legal movement of Chinese capital from that area to China.

Prior to the Second World War, in this area there were no rigid restrictions on currency operations with China. There were practically no obstacles to the migration of Chinese capital in the area itself or to China. The Chinese minorities had a ramified network of long-established channels for the

remittance of money to China. Most of the money from Southeast Asia was handled by so-called posting agencies. Part of it was sent by merchant-couriers, who travelled regularly between China and the Southeast Asian countries. Some of it was brought by emigrants returning to China. Lastly, the first Chinese agencies specialising solely in remittances to China appeared in the Southeast Asian countries on the eve of the war in the Pacific.

The creation of independent states in Southeast Asia, the formation of the PRC and the severe restrictions enforced on currency operations in the world capitalist economy after the Second World War completely paralysed the pre-war channels of economic intercourse of the Chinese minorities in Southeast Asia with China.

For their level of economic development the Southeast Asian countries rank among the states experiencing an acute shortage of capital. Naturally, in these countries there can be no question even of a relative surplus of capital, which is one of the inducements for the export of capital from developed capitalist states. This situation is legislatively embodied in the rules governing the external economic relations of developing states, which forbid the export of capital by their citizens. The changes that have been introduced relative to such export in the legislative practice of the Southeast Asian countries during the past decade are evidence of harsher restrictions rather than of any liberalisation of the ban on the export of capital from that area. This attitude is quite logical on the part of countries experiencing a serious shortage of capital for stepping up their rate of economic development.

Experts have long ago noted that local capital is migrating from the developing countries mostly through extra-legal channels. In a document submitted to the first United Nations Conference on Trade and Development and headed "Flow of Private Capital From Developing to Developed Countries" the International Monetary Fund commented as follows on the methods employed in the migration of this capital: "In many (developing—*M.A.*) countries, in which the inducements for outward movements of funds are powerful, residents cannot export capital legally without a licence which the authorities are unlikely to grant. In such cases,

any large outward movements of funds are likely to be concealed, taking the form, for instance, of non-repatriation of export proceeds, over-remittance for imports, or purchases of foreign exchange outside official markets from foreign tourists and others."¹ The fact that the Chinese bourgeoisie resident in Southeast Asia has economic links with foreign investment centres not only corroborates this comment but introduces many new elements into the study of this practice in the economic life of the developing countries.

In principle, the ban on the export of capital also concerns local Chinese businessmen.

1. LEGAL CHANNELS FOR REMITTANCES TO CHINA

Since the war only one legal channel has remained to the Chinese minorities in Southeast Asia for the remittance of funds abroad, namely remittances to relatives living in China.² The authorities in the Southeast Asian countries have had to reckon with the fact that following the formation of the PRC there remained in that country nearly ten million relatives of Chinese residing in Southeast Asia. The number of overseas Chinese with relatives in China is estimated between three and four million and thus embraces most of the gainfully employed Chinese in that area. The termination of Chinese emigration to Southeast Asia and the innumerable restrictions on foreign economic links greatly hinder the rendering of material assistance to relatives in China. Nevertheless, in some countries the authorities have had to continue tolerating the traditional practice of the local Chinese of remitting money to China for the support of relatives. In particular, this concerns countries where Chinese residents comprise a large section of the population and play a considerable role in the economy.

The governments of the Southeast Asian countries variously substantiate their attitude to the problem of family remittances to China: there are some general considerations, which, in their opinion, justify a reduction of these remittances.

They hold, not without reason, that today the economic justification for family remittances is disappearing or, in any

case, weakening in view of the fact that the strict restrictions imposed on immigration from China after 1949 rule out the possibility for the emergence of new family links, while the old links are, naturally, withering away or being forgotten. In the final analysis, the emigration of breadwinners of Chinese families requiring compensation in the shape of remittances has now been halted and this automatically reduces the volume of family remittances to China. The authorities in the Southeast Asian countries—in some cases not without grounds—note that this legal channel for remitting funds abroad is utilised by the local Chinese not for material assistance to relatives in China, but for the establishment or enlargement of Chinese businesses in other countries. They, therefore, feel that family remittances must be reduced to a minimum and kept strictly to their actual purpose. In some countries the authorities give the aggravation of foreign exchange difficulties as the reason for their policy of reducing family remittances to China. Lastly, this policy springs from the attitude of the ruling circles, who regard these remittances of foreign exchange as direct support for China from the Chinese minorities in these countries.

The post-war policy pursued by the Southeast Asian countries in regard to family remittances to China leads to the conclusion that the authorities are bent on gradually reducing and even banning these remittances.

As soon as Indonesia achieved political independence she reconsidered the regulations that governed family remittances to China during the colonial period. Whereas the Dutch colonial administration had placed no obstacles to the remittance of money to relatives in China and even allocated the necessary foreign exchange, the Government of independent Indonesia banned such remittances on account of foreign exchange difficulties.

In March 1950, i.e., three months after the Netherlands formally recognised the independence of the Republic of Indonesia, the Indonesian Government stopped the allocation of foreign exchange to pay for the remittances of local Chinese to their relatives in China. Exceptions were made only in the case of Chinese who had foreign exchange accounts in overseas banks (accounts formed from the profits of commercial operations in previous years) and could draw

money from these accounts to pay for remittances to relatives in China.

Naturally, the strict observance of the national currency regulations doomed these foreign exchange accounts to speedy exhaustion and the ban on family remittances to China soon became absolute.

As soon as diplomatic relations were established between Indonesia and China the PRC Embassy in Djakarta pressed for the legal resumption of remittances, but its many representations on this question were denied by the Indonesian authorities. The official ban on family remittances to China remains in force in Indonesia to this day with the Indonesian Government continuing to refuse to allocate foreign exchange for such remittances.

The Government of the Philippines imposed a ban on family remittances to China in 1951. The many remittance agencies in that country were closed or moved to Hongkong. However, those that moved to Hongkong did not halt their illicit links with the Chinese minority in the Philippines. Until 1954, the Filipino authorities allowed wealthy Chinese to remit small sums (from 50 to 100 US dollars at the official rate of exchange) abroad, mainly to China, after they had paid their taxes. However, only a few Chinese were able to use this channel. Most of the remittances to China are sent through extra-legal channels.

In Burma during the first years after the war the authorities permitted local Chinese to remit money to relatives in China and the regulations governing such remittances were, perhaps, more liberal than in any other Southeast Asian country. For instance, in the early 1950s, despite the general tendency towards restrictions, the Burmese Government liberalised the family remittance regulations, allowing local Chinese to remit from one-third to half their incomes, in other words, it placed no restriction on the size of these remittances. There were reasons for this attitude. First, during the initial post-war years the economic potential of the Chinese bourgeoisie in Burma was quite small on account of the stiff competition from Indian usurers and businessmen. Second, the local Chinese had been quickly assimilated and lost their interest in remitting money to China. In the view of the Burmese economist U Tan Wai, the Chinese spent

their money in Burma and remitted no funds to China for the simple reason that they had settled in Burma with their families. Another reason for the liberal attitude of the Burmese authorities to remittances to China was their fear of their powerful "great northern neighbour". In operation in Burma were two Chinese banks that handled remittances in circumvention of official channels. To establish at least some measure of control over the family remittances to China, the Burmese Government liberalised the regulations in the hope that this would induce the local Chinese to use legal channels for sending monetary assistance to their relatives.

It may, nevertheless, be accepted as a fact that in Burma the Chinese minority made hardly any use of the official channels, preferring to have recourse to the agency of the PRC Embassy or the local branches of the PRC banks.

As a result, the Burmese Government gradually tightened the regulations governing these remittances, and although no official ban has been imposed on remittances to China they have in fact been stopped by the authorities. In the Revolutionary Council's Report to the People on the 1963/64 budget estimates it is stated that the remittance of part of the income of foreigners working in Burma would be controlled and checked, that the foreign exchange allocations to citizens for private purposes would be restricted and the issue of these allocations controlled.³ At present there is no data to indicate that local Chinese use official channels to remit money to China. Of the foreigners in Burma only municipal employees and foreign experts working in that country on the invitation of the Government may remit a certain sum in foreign exchange to their families.

From the aforesaid the conclusion may be drawn that during the first years after the war the local Chinese made the minimum use of official channels for family remittances to China, and that in the 1960s the use of these channels was discontinued altogether.

In Cambodia, Laos and South Vietnam remittances by local Chinese to relatives in China are officially banned.

In Thailand, Malaysia and Singapore, where family remittances to China are officially permitted, steps are nonetheless being taken to reduce the volume of these remittances. This is achieved mainly by reducing the number of local Chinese

receiving permits to remit money to relatives in China. The motives for remitting money are examined in each individual case and permits are issued for small sums only when the applicant gives convincing proof that his relatives in China require material assistance.

Moreover, the volume of remittances has been drastically cut by the introduction of a ceiling. In Malaysia and Singapore the extremely low ceiling of 15 US dollars per month per family was established as early as 1946 and the authorities see no sense in lowering this ceiling any further. In Thailand the authorities are steadily reducing the maximum sum allowed for family remittances (in 1953, it was cut to 80 US dollars per month).

Lastly, family remittances are restricted by means of strict control over the operations of the remittance agencies. As a rule, these agencies operate on licences annually renewed by the Finance Ministry and every interruption in the operations of these agencies is used by the authorities to reduce the quota of foreign exchange designated for remittance to China, and even to close some of these agencies. None of them are allowed to remit money directly to China. They have to send the money through the local banks, which are controlled by the authorities. Since the war there has been a gradual decrease of the number of remittance agencies in Thailand, Malaysia and Singapore, while in Burma the legal network of channels for remittances to China was abolished through the nationalisation of the local branches of the Bank of China and the Bank of Communications.

By means of these restrictive measures the authorities in Malaysia, Singapore and Thailand ensured a drastic reduction of the volume of family remittances to China and, most important of all, closed the possibility of transmitting foreign exchange for purposes other than material assistance to relatives in China. Whereas until 1960, this possibility was frequently used for the remittance of foreign exchange for investment in China or other countries in the area, today the scale of such abuses has been substantially pared down. The sole legal channel for remitting large sums in foreign exchange out of the area is now losing its value to Chinese businessmen, who had used it to export their capital out of the area. The procedure for remitting money to relatives in

China remained quite liberal in Thailand during the first years after the war. Remittance agencies operated without any particular difficulty. Chinese resident in Thailand were allowed to make monthly remittances of up to 50 bahts to relatives in China. The agencies operated on the basis of licences that were automatically renewed by the Finance Ministry provided the agencies concerned operated uninterruptedly. Each agency was given a foreign exchange quota based on the volume of its operations in the past. It received this foreign exchange from commercial banks authorised to conduct foreign exchange operations at the official rate.

The first difficulties in the receipt of foreign exchange for remittance to China appeared in 1946, when Thailand's Finance Ministry ruled that all currency earnings from exports and services had to be deposited in the Bank of Thailand. This closed the sources for acquiring foreign exchange for remittance to China and the agencies could now handle limited remittances in the volume and currency recommended to them by the Bank of Thailand. As a result, there was a temporary pause in the remittance of money to relatives in China.

However, in January 1947 the currency regulations in Thailand were substantially liberalised (only the foreign exchange receipts from the export of rice, tin, rubber and teak now had to be deposited in the Bank of Thailand) and the remittance agencies could acquire foreign currency at the free rate of exchange without licences and quotas. Until 1952, there was a considerable movement of money to China and the number of remittance agencies increased sharply.

With the launching of the anti-Chinese campaign in 1952 the Thai Government intended to impose a total ban on remittances to China. However, pressured by the leaders of the Chinese minority, the authorities abandoned this intention, allowing the remittance operations to continue under strict official control.

The Government halted the renewal of the licences of all the remittance agencies. In 1952, the Bank of Thailand instructed the Association of Chinese Remittance Firms to turn over all the documents of these firms and close the offices of the remittance agencies. This was followed by the compulsory merger of all the agencies into three firms forming

a syndicate that was given the monopoly over all the remittance operations under strict government control.

In that same year the money remitted for each family was limited to 2,000 bahts a month, and a year later to 1,000 bahts a month. The foreign exchange quota for these remittances was set at 70 million bahts annually. The remittance syndicate conducted all its operations through the Asia Trust Company, a local bank that, in its turn, remitted the collected foreign exchange to the Hongkong branch of the Bank of China. The syndicate's monopoly over remittances led to various abuses that chiefly affected the senders of remittances. In particular, in exchanging bahts into foreign currency the syndicate raised the exchange rate, thereby receiving a large profit. In 1956, the Finance Ministry had to disband the syndicate and issue licences to 11 competing remittance agencies. As soon as the latter agencies were set up the exchange rate began to drop.

In 1957, the Bank of Thailand registered the senders of remittances to China and issued a special certificate to each of them. The remittance agencies were forbidden to accept money for remittance from persons who had no certificate. This measure resulted in a sharp decrease of the volume of remittances to China because the registration of the senders closed the door to the use of this channel for the remittance of foreign exchange for other purposes. In Thailand some remittance agencies are still in business.

Since the war the Chinese resident in Thailand did not make full use of this channel for remitting money. Suffice it to point out that in 1953, when the monthly quota was 2,000 bahts per sender, the monthly remittances did not exceed 150-170 bahts. In subsequent years when the quota was cut to 1,000 bahts a month, the Chinese did not make full use of the reduced quota either. In 1957, remittances of less than 500 bahts a month comprised about 77 per cent of all the remittance operations, in 1958—87 per cent, in 1959, they amounted to 92 per cent and in 1960, to about 90 per cent of these operations. Bank of Thailand officials believe that this low level is due to the fact that the operations have been purged of remittances for purposes other than for family support and mirror the actual foreign currency requirements of the local Chinese minorities for the sup-

port of relatives in China. The Thai authorities intend to continue the policy of further restricting family remittances by local Chinese to China.

The volume of remittances to China from Thailand (see Table 9) has undergone considerable fluctuations since the end of the war. First, it is substantially below the pre-war level of remittances. Before the war the remittances were estimated at approximately 150 million bahts at the present rate of exchange. The shortlived increase in 1946-48 was due to the striving of the Chinese minority to compensate for the reduced volume of remittances during the war and to the flow of new emigrants to Thailand (new emigrants have always been the heaviest senders of remittances to China). As soon as the People's Republic of China was proclaimed there was a sharp but temporary growth of the volume of remittances caused by the upsurge of nationalism among the Chinese

Table 9

Remittances of Chinese Resident in Thailand to Relatives in China

Year	Sum		Year	Sum	
	mln bahts	mln US dollars		mln bahts	mln US dollars
1946	300-360	30-36	1955	212	10.1
1947	300-360	30-36	1956	199	9.6
1948	300-360	30-36	1957	191	9.1
1949	120-145	9.6-11.6	1958	44	2.1
1950	216	17.3	1959	11	0.5
1951	60	4.8	1960	7	0.3
1952	22	2.0	1961	5	0.3
1953	103	8.2	1962	4	0.2
1954	131	10.4	1963	5	0.3

Sources: G. W. Skinner, *Chinese Society in Thailand: An Analytical History*, Ithaca, 1957, pp. 362-63; *Bank of Thailand Monthly Report*, September 1961, Vol. 1, No. 9, pp. 4-6; Wu Chun-hsi, op. cit., p. 102.

minority in Thailand springing from the enhanced international prestige of the PRC. However, this was followed by a marked decline on account of the restrictions imposed by the Thai Government. Following the establishment of a new procedure for remittances to China their volume began to grow again, but this growth had an unsound foundation because under the guise of remittances to relatives the local Chinese remitted large sums abroad to pay for other expenditures. At the close of the 1950s, the Thai Government halted these abuses and the volume of remittances immediately diminished. Moreover, because of the unfavourable rate of exchange in China the Chinese minority reduced the volume of the remittances to a bare minimum.

It is characteristic that the Chinese businessmen in Thailand used this legal channel to remit foreign exchange abroad partially for other purposes. For instance, Skinner noted that until 1955 part of the money remitted through this channel was used by senders not for material assistance to relatives in China, but for the payment for goods imported to Thailand from China via Hongkong and Singapore. According to Skinner, during only the latter five months of 1955 the portion of the remittances used for the latter purpose amounted to about 60 million bahts. If it is borne in mind that in 1955 the remittances from Thailand totalled 212 million bahts, it will be seen that these 60 million bahts amount to nearly 30 per cent of the total. Actually, the portion of the remittances used for other purposes, was, probably, still larger. According to the Bank of Thailand, part of the money remitted to relatives in China in 1953-57 was not used for that purpose. In particular, it was used to pay for the smuggling of goods and gold into Thailand. Thai business circles believe that during the first half of the 1960s the Chinese residing in Thailand sent an additional sum of about 5,500,000 US dollars annually through extra-legal channels.

In Malaysia and Singapore the Chinese family remittance regulations instituted by the British colonialists are still in force. Under these regulations the remittance ceiling is 45 Malay dollars a month. The remittance operations are handled by numerous agencies controlled by local Chinese businessmen. These agencies were opened in 1947 and the

Association of Overseas Chinese Engaged in Currency Operations and Remittances consisting of 165 agencies was formed in the following year.

The agencies are required by the authorities to submit information on the senders of remittances to China. The senders fear that this information may be an obstruction to the receipt of local citizenship and for that reason avoid using the services of the agencies and look for extra-legal channels for remitting money to China.

A network of remittance agencies functions in Singapore. The Finance Ministry issues two types of licences permitting remittance operations for a term of one year. Grade A licences give the holders, upon the renewal of the licence following the payment of annual dues amounting to 250 Singapore dollars, to accept money for remittance directly to China through the local banks. Holders of Grade B licences pay an annual fee of 100 Singapore dollars for the renewal of these licences but are not entitled to remit money directly to the PRC. They may remit money only through agencies holding Grade A licences or through local banks that have their own branches in China or business contact with Chinese banks. The interests of the senders of remittances to China are guaranteed by the local banks on the basis of an agreement with the Government.

In Singapore there were 146 family remittance agencies in 1947. At present there are no official statistics regarding the number of these agencies in Singapore, but judging by the Government's revenues from their operations their number is gradually diminishing. Whereas in 1953, the revenues from the prolongation of Grades A and B licences totalled 25,030 Malay dollars, with the number of agencies between 100 and 250, in 1963, these revenues fell to 17,050 Malay dollars and the number of agencies was between 70 and 170 (see Table 10).

All official data regarding the remittances of Singapore Chinese to relatives in China thus indicate that there is a steady decline of the number of senders (in 1953-62, the number fell from two-thirds of the highest level to five-ninths) and of the total sum of family remittances (which in the above-mentioned period fell by nearly 66 per cent).

Foreign observers believe that the shrinkage of the volume of remittances to China from Singapore is due to the fact that

Table 10
Family Remittances of Singapore Chinese to Relatives in China

Year	Number of postal remittances	Total (mln Malay dollars)	Mean postal remittance (Malay dollars)	Excess or drop compared with the established ceiling (Malay dollars)
1953	529,941	15.7	29.6	-15.4
1954	535,776	15.5	28.9	-16.1
1955	547,815	16.1	29.5	-15.5
1956	606,755	17.2	28.3	-16.7
1957	555,588	15.2	27.5	-17.5
1958	538,445	15.2	28.2	-16.8
1959	482,660	13.2	27.3	-18.3
1960	389,869	10.4	26.6	-18.4
1961	291,586	6.8	23.4	-21.6
1962	215,422	5.4	24.9	-20.1

Source: *Annual Report of the Division of Commerce and Industry of the Ministry of Finance of Singapore for Years 1953-63.*

most of these remittances are from natives of China's southern provinces, whose number among the local residents of Chinese nationality is gradually diminishing due to the halt to immigration from China after the war.

In Malaya family remittances by Chinese were not strictly limited by the British colonial authorities and large sums in foreign exchange went to China through this channel. With the formation of the PRC the volume of these remittances diminished sharply on account of the strict control imposed on economic operations with China. All Chinese wishing to remit money had to obtain permission from a remittance agency and sign a commitment that the size of their monthly remittances would not exceed the official ceiling. Money for remittance to China is accepted by specialised agencies operating under licences issued by the authorities. During the first years after the war there were over 1,500 of these agencies, but in subsequent years their number gradually diminished parallel with the shrinkage of the volume of family remittances to China from Malaya. By the beginning of the 1950s,

the number of these agencies had fallen to 800. At the outset of the 1950s, the size of postal remittances was below the official ceiling (averaging from 35 to 40 Malay dollars a month, whereas the permitted maximum was 45 Malay dollars a month).

As distinct from Thailand and Singapore, in Malaysia no official statistics are published on the scale of the family remittances to China. However, we have the figures published by Charles Gamba and S. Y. Lee that are very close to official statistics inasmuch as in their estimates these authors base themselves on the competent estimates of Singapore's foreign exchange operations control authority (see Table 11).

Table 11

*Official Family Remittances from Malaysia
(Exclusive of Singapore) to China*
(mln US dollars)

Year	Sum	Year	Sum
1950	2.2	1957	2.2
1951	5.0	1958	1.4
1952	4.3	1959	1.3
1953	4.1	1960	1.4
1954	2.6	1961	0.7
1955	2.6	1962	0.5
1956	2.9	1963	0.5

Sources: *Malayan Economic Review*, No. 10, October 1958; *Kajian Ekonomi Malaysia*, Vol. III, No. 2, December 1966, pp. 96-97.

In Sarawak the regulations governing family remittances to China are the same as those in operation in Malaysia and Singapore. It may be assumed that the volume of these remittances through official channels does not exceed several tens of thousands of US dollars annually. Even during the first

years after the war, when an enormous growth of family remittances to China was noted everywhere, the volume of these remittances from Sarawak did not exceed 70,000-80,000 US dollars annually. In those years there were 44 registered remittance agencies in Kuching, but most of the remittances were handled by two or three of these agencies. Among the Chinese minority in Sarawak family remittances to China were not very popular: in the period from October 1947 to August 1949 only 395 certificates for remittances to China were issued in Kuching.

The situation is, apparently, similar in Sabah and Brunei.

We, thus, have the primary data for estimating the level of family remittances to China from the Southeast Asian countries, in other words, the funds that go to China legally from the Chinese minorities in that area.

The figures in Table 12 indicate that the volume of officially permitted remittances is steadily diminishing. A comparison of these figures with the total foreign exchange flowing to China from the Chinese minorities indicates that in the total funds received in China from the Chinese minorities in Southeast Asia since the war the volume of authorised remittances is sharply decreasing (20 per cent in 1950, 15 per cent in 1955, 5.1 per cent in 1960 and 2.5 per cent in 1963). This circumstance heightens interest in the extra-legal methods used for the remittance of Chinese capital out of the Southeast Asian countries.

It may be confidently asserted that having being deprived of legal channels for remitting capital out of the host countries after the war, the Chinese bourgeoisie resident in these countries is having increasing recourse to extra-legal channels. The Chinese businessmen themselves do not consider it necessary to conceal this fact. Interviewed by the author of these lines, a leading Chinese businessman in Djakarta declared that "today there are a thousand and one ways of extra-legally remitting Chinese capital abroad". Wu Chun-hsi writes that alongside legal remittances the Chinese in the Southeast Asian countries use extra-legal channels. "The methods for handling overseas remittances fall into two categories: open remittances, which follow local or Communist Chinese regulations, and secret remittances, which are usually extra-legal."⁴

Table 12

Official Family Remittances From Southeast Asian
Countries to Relatives in China
(mln US dollars)

Year	Sum	Of which		
		Thailand	Singapore	Malaysia
1950	23.8	17.3	4.3	2.2
1951	17.3	4.8	7.5	5.0
1952	11.4	2.0	5.1	4.3
1953	17.4	8.2	5.1	4.1
1954	18.2	10.4	5.2	2.6
1955	17.9	10.1	5.2	2.6
1956	18.1	9.6	5.6	2.9
1957	16.3	9.1	5.0	2.2
1958	8.5	2.1	5.0	1.4
1959	6.1	0.5	4.3	1.3
1960	5.1	0.3	3.4	1.4
1961	3.2	0.3	2.2	0.7
1962	2.4	0.2	1.7	0.5
1963	2.5	0.3	1.7 *	0.5 *

* According to the figures for 1962.

Sources: *Annual Report of the Division of Commerce and Industry of the Ministry of Finance of Singapore for Years 1953-63*; *Kajian Ekonomi Malaysia*, Vol. III, No. 2, December 1966, pp. 96-97; *Bank of Thailand Monthly Report*, Vol. 1, No. 9, September 1961, pp. 4-6; Wu Chun-hsi, op. cit., pp. 102, 110; *Malayan Economic Review*, October 1958, p. 58; *Bank of Thailand, Economic Monthly* (in Thai), August 1961 and February 1964.

In Burma the local Chinese use the services of the PRC Embassy in Rangoon to remit large sums of money. According to the Indian sociologist G. Jain, the Chinese Embassy in Rangoon has unlimited funds at its disposal inasmuch as it receives large sums of money from the local Chinese for remit-

tance to relatives in China. They simply get a receipt, while their families and relatives in China receive the equivalent in local currency.⁵ In Sarawak, during the early post-war years, a certain part of the remittances began flowing to China in circumvention of official channels. Ju Kang-tien noted in this connection: "It is probably true that not all the money actually sent is accounted for here",⁶ having in mind the official statistics on remittances to China from Sarawak. In the Singapore Legislative Assembly's report on the island's foreign trade and balance of payments in 1956 it is noted that the remittances to relatives in China through the agency of Singapore banks totalled 17,200,000 Malay dollars, but the official view is the sum should be at least doubled because part of the money goes through extra-legal channels.⁷

In an article on Malaysia's balance of payments it is stated quite bluntly that extra-legal channels are used for a considerable part of the remittances of local Chinese to China and other countries. A Malaysian economic journal reported that in the period from 1948 to 1957 the Chinese family remittances (about 231,600,000 Malay dollars) were smaller than the postal remittances to India (about 342 million Malay dollars) and Pakistan (6 million Malay dollars) taken together. This is sufficient grounds for assuming that many of the Chinese remittances did not go through official channels or banks.⁸

Analysing the methods used by the Chinese residing in the Southeast Asian countries for remitting money to relatives in China, a Hongkong journal noted: "Practically none of this money comes in through the banking system since most countries of Southeast Asia restrict transfers severely. It comes in surreptitiously and at free market rates through Chinese merchants in Hongkong and Southeast Asia. Some of it then enters the banks of Communist allegiance of which there are eight or nine, for family support in China."⁹

The Japanese author Go Ju Shy is of the same opinion pointing out that large sums of money for investment in China are sent not through family remittance agencies but directly, through the large banks in the host countries.¹⁰ In a conversation with the author of these lines, a high-ranking official of the Finance Ministry of Singapore stated

that in Singapore and other countries of Southeast Asia legal channels for family remittances to China are used only by non-propertied strata of the Chinese minorities that have no accounts in banks and send small sums to China. As regards large transfers to China from businessmen of Chinese origin, they go surreptitiously—not through the family remittance agencies but directly through banks in the host countries.

Lastly, a simple comparison of the statistics on the scale of the movement of Chinese capital from the Southeast Asian countries to leading overseas investment centres with the statistics on legally permitted family remittances inevitably leads to the conclusion that there are extra-legal channels for the outflow of Chinese capital, inasmuch as the legal family remittances amount to only an insignificant part of the sums transferred abroad.

Much of the Chinese capital moving out of the host countries, thus, goes through extra-legal channels.

2. EXTRA-LEGAL CHANNELS OF REMITTANCES TO CHINA

The flourishing contraband trade provides broad possibilities for the migration of Chinese capital from the Southeast Asian countries. The considerable differences in the living standards of the people in different countries, the stability of some currencies and the devaluation of others, the lax customs control, favourable geographical conditions, the interest of the propertied strata of the population in contraband trade and the lucrativeness of contraband operations facilitate the spread of smuggling between individual countries in the area. Since the war smuggling has been organised on a large scale and become a usual phenomenon in practically all the countries of Southeast Asia. Singapore, Macao and Hongkong are now the recognised centres of smuggling and in these cities there are innumerable firms with large working funds that handle these operations. These firms regard smuggling as ordinary business that brings large profits. No further explanation is necessary. According to a Chinese businessman in Singapore, smuggling yields a profit of up to 100 per cent on invested capital, which is several times higher

than the profit received in the basic branches of the island's economy. In Hongkong the commission paid to smugglers amounts to from 30 to 50 per cent of the cost of the smuggled commodities.

Lately smuggling has developed into a major calamity to the economy of some Southeast Asian countries. In the Philippines large lots of copra, valuable species of wood and other export commodities are shipped abroad in circumvention of the customs, while only part of the revenue returns to the country. According to some estimates, the volume of contraband exports from the Philippines reaches in some years as much as 100 million US dollars. It is no secret that there is large-scale smuggling between Indonesia and neighbouring countries, particularly Malaysia and the Philippines.¹¹ This deprives Indonesia of approximately one-third of her export revenues and is assessed at from 100 to 130 million US dollars annually. In some years, up to 100,000 tons of rubber, nearly 100,000 tons of copra and large quantities of tin, pepper and other commodities are smuggled from Indonesia. In recent years the volume of contraband has begun to decrease, but its scale remains large. There is considerable contraband trade also in the countries of the Indo-chinese Peninsula. In particular, up to 100,000 tons of rice are smuggled from Cambodia to neighbouring countries. Contraband trade has become widespread also in Laos, Burma and Thailand. Raw materials are usually smuggled into Singapore and to Penang and other Malaysian ports. The Malaysian ports usually have large import surpluses created mainly by contraband operations with Indonesia and Thailand.

A simplified assumption would be that this contraband trade is conducted by gangs of smugglers on sampans making risky nocturnal runs along the coasts of the Southeast Asian countries, although such trade continues to exist. Modern smugglers usually operate on the basis of forged invoices and letters of credit. Doctored settlements on foreign trade operations are now widespread in the area. Exporters frequently belittle the export prices of goods in order to conceal their profits from the authorities and leave the concealed part of their profits in overseas bank accounts. Importers, on the contrary, overstate the prices of the goods imported

by them, and split the difference between the stated and actual price with the suppliers, depositing the profit in overseas bank accounts. On this score *Far Eastern Economic Review* wrote: "Over the years, by systematic under-invoicing and over-shipments, the Indonesian merchants succeeded in building up a large working capital overseas."¹² The same practice is widespread in the Philippines, where foreign trade has become a major channel for smuggling. Frequently, contraband trade is conducted by understating the weight of the exported goods or by falsifying their actual quality.

Abuses in the settlements of local merchants with government organisations on foreign trade transactions are also part of the contraband operations. In order to promote exports the countries of the area have, since the war, liberated their currency regulations, allowing exporters to leave part of their profits temporarily in foreign exchange in overseas accounts. Countries like Thailand, Cambodia, Indonesia and the Philippines continue, in varying degree, their practice of reserving part of the foreign exchange receipts in the accounts of local exporters. This part of the foreign exchange amounts to tens and sometimes hundreds of millions of dollars. The authorities motivate this practice with the assumption that exporters use their foreign exchange funds to pay for the import of goods needed by their countries. They, therefore, allow the merchants to pay for imports with foreign exchange of "unknown origin", although this in principle contravenes the spirit of the foreign exchange regulations. However, far from all owners of overseas accounts agree to spend their foreign exchange to pay for imports and accumulate quite large funds in hard currency abroad.

Consequently, in the process of contraband trade there may be a substantial flow of material resources in goods and money from one country to another. This situation arises when only part of the revenues from smuggled goods are spent on the import of critical commodities that are sold at a high profit in the local market, while the rest of the receipts go into overseas bank accounts. A West German financier wrote that contraband trade is a form of outflow of capital.

Ever since the end of the Second World War the Chinese bourgeoisie in the Southeast Asian countries has been active-

ly engaged in smuggling. "Foreign-exchange and other controls," write Thompson and Adloff, "have transformed many of the Chinese into smugglers and black marketeers, and such operations have increased both their wealth and their unpopularity. Attempts to control the Chinese have almost everywhere run into the bewildering maze of overlapping Chinese organisations which exists in every country of the area, and they have been frustrated by Chinese evasion, ability, and indispensability."¹³ The role played by the Chinese bourgeoisie in these illegal operations in the area has grown rather than diminished. In the light of the fact that at present smuggling accompanies foreign trade more and more frequently and on a growing scale and that Chinese businessmen play an important part in that trade in all the countries of the region without exception, it may be stated with confidence that the Chinese businessmen are deeply involved in these operations. Convincing evidence of this is the sale of large quantities of Chinese-made goods in the Southeast Asian markets, although most of the countries of the area have no direct trade relations with China. As a rule, these goods are marketed by local Chinese firms.

For the Chinese bourgeoisie the most attractive aspect of smuggling is that it gives them access to operations involving large quantities of valuable raw materials that, essentially speaking, cannot be controlled by the authorities and can be sold at a large profit at any time, anywhere and on any terms and, moreover, allows for the migration of large Chinese capital from the host countries.

The black market for foreign exchange and gold that exists in all the Southeast Asian countries without exception is yet another major channel for the illegal migration of Chinese capital. The strict foreign exchange control instituted in the developing states, the instability and progressive devaluation of the currencies of some of these countries and the diminishing national reserves of foreign exchange and gold have given rise to this black market, which is an ugly phenomenon in the economy of the Asian developing states. The foreign monopolies, which are fettered by the restrictions imposed by the governments of these countries, frequently use the black market for illegal exports of profits, the surreptitious repatriation of capital and a reduction of

the expenditures of their local subsidiaries in the currency of the host countries. In a situation marked by a bitter political struggle that sometimes explodes into open civil war, many politicians do not risk leaving their fortunes in their own countries, fearing that in the event their parties are defeated politically these fortunes would be appropriated by their more successful political rivals. The large bureaucratic bourgeoisie in the civil and military administration cannot do without services of the black market for gold and foreign exchange, because otherwise their "new fortunes" may fall victim to inquiries or the growing inflation. For their settlements with their overseas partners local businessmen require foreign exchange, which they can by no means automatically receive from government organisations.

This is true also with regard to the Chinese bourgeoisie, with the sole difference that for it the black market for gold and foreign exchange is of even greater importance because it enables it to bypass government bans and transfer large funds to other countries. It is, therefore, active in the black market although it is not solely responsible for the appearance of that ugly phenomenon in the Asian economy.

In the Far East Hongkong is the main centre of illegal operations in gold and foreign exchange. Large-scale illegal transactions are carried on regularly there in Filipino pesos, Indonesian rupees, Malay and Singapore dollars, Burmese kyats, Thai bahts, South Vietnamese piastres, Cambodian riels, Laotian kips, Chinese yuans, British pounds and US dollars. The foreign exchange transactions in Hongkong daily involve several million US dollars, with the larger part of these transactions carried on by businessmen from Southeast Asian countries. On a lesser scale such illegal transactions in foreign exchange and gold are conducted in Singapore and Bangkok. In every Southeast Asian country there is a "national" black market for gold and foreign exchange. All these black markets have close unofficial links, coordinate their activities with Hongkong and each other and handle large quantities of foreign exchange and gold.

In order to give an idea of the scale of the gold and foreign exchange operations in the black market it is sufficient to indicate that in 1962, even according to incomplete data that do not take into account such operations in Singapore,

Thailand, Cambodia, Laos and Northern Kalimantan, these operations in the other Southeast Asian countries and Hongkong involved over 1,000 million US dollars (this estimate has been made on the basis of the black market exchange rate and not according to the official rate of exchange).¹⁴

The overseas Chinese bourgeoisie actively finances the gold and foreign currency operations in Hongkong and on the outskirts of Southeast Asia. Ever since the end of the Second World War much of the migrating capital from China has been used in the illegal gold and foreign exchange operations in Hongkong. US economists note that in the mid-1950s most of these operations in the Hongkong black market were handled by Chinese brokers. Chinese businessmen are even more active in the gold and foreign exchange black markets in the Southeast Asian countries. Regarding the part played by Chinese financiers in the gold and foreign exchange black market in the Philippines, a Hongkong publication wrote: "Besides remitting through the regular free market, these people have made transfers of their money by trade transactions and devious means as well as by out and out smuggling. This is said to be the case with money from the Philippines where large underground organisations are said to be in operation with the object of helping to smuggle funds, gold, bullion and valuables out of the country."¹⁵ A similar situation is to be observed in Indonesia. According to officials in that country, in 1960, practically all the gold operations in the black market were controlled by Chinese businessmen.

The Chinese bourgeoisie's involvement in the gold and foreign exchange operations in the black markets of the Southeast Asian countries is irrefutably proved by the sharp fluctuations of the black market exchange rates of the national currencies during anti-Chinese campaigns in these countries. In Burma the nationalisation of the property of foreign and local, including Chinese, companies in the spring of 1963 led to a drop of the kyat exchange rate in the black market from 9.15 kyats per US dollar in May to 13.75 kyats per US dollar in December 1963, although in the previous years the kyat exchange rate remained relatively stable in the black market. The kyat exchange rate continued to fall in subsequent years as well. In Indonesia after Chinese business was banned in the rural areas in December 1959 the black

market exchange rate of the rupee fell in one month (January 1960) from 250 rupees per US dollar (the official rate at the time was 45 rupees per US dollar) to 550 rupees per US dollar. In analogous situations a similar development has been observed in the Philippines.

In all these cases, when Chinese businessmen were pressured by government restrictions, they temporarily withdrew part of their capital from circulation and set up reserve funds of gold and foreign exchange for a rainy day and for the remittance of part of their capital out of the host countries. In these situations the massive offer of national currency in exchange for gold and foreign currency inevitably led to a drop of the black market exchange rate of the national currency. This synchronisation of the sharp fall of the black market exchange rate of local currencies with anti-Chinese restrictions in the Southeast Asian countries is indirect but definite proof that the Chinese bourgeoisie is active in the gold and foreign exchange black markets in these countries.

Three types of transactions predominate among the innumerable and varied black market gold and foreign exchange operations. These are, first, the acquisition in the local market of gold and foreign exchange (mainly US dollars) smuggled into the country concerned for local currency which usually devaluates quickly. Next, the smuggling of local currency overseas, to countries with a relatively stable currency, for the subsequent exchange of that currency for gold or hard currency. Whereas these types of transactions involve the physical movement of gold and bank-notes from one country to another and are, thereby, closely connected with smuggling (in all the Southeast Asian countries there are strict limitations on the inflow and outflow of gold, foreign exchange and local currency), the third type of black market gold and foreign exchange operations is practically not linked with the movement of bank-notes or gold from country to country. Due to the considerable difference between the black market and official exchange rates of local currency the subsidiaries of many foreign companies and organisations that do not have sufficient local currency to pay for their expenses in the host countries get the necessary funds in local currency by exchanging hard currency or gold

at what is frequently the unrealistic official exchange rate in the local banks. However, many of these subsidiaries obtain such funds in the black market from local businessmen desiring to build up large overseas hard currency or gold accounts, and for these services they deposit the equivalent in foreign exchange or gold in the latter's overseas accounts at the prevailing black market rates. These transactions can hardly be spotted by state inspectors for they are not accompanied by any physical movement of gold or foreign exchange from one country to another.

The existence of organisational links between numerous Chinese companies in the different Southeast Asian countries makes it possible to export Chinese capital from country to country even without the physical movement of that capital. Take, for instance, a Chinese firm with branches in Hong-kong, Singapore, Djakarta, Kuala Lumpur and Bangkok. It can, if it so desires, pay for its operations conducted in its behalf by its Bangkok branch not through official channels but by transferring the necessary sum of money in foreign exchange to that branch's overseas bank account. In this case the Bangkok branch pays for these operations from its local currency fund and in exchange gets an addition to its hard currency account abroad.

Machinations of this sort are most frequently resorted to by Chinese foreign trade, transport, banking, insurance, tourist and film distributing companies whose operations are usually linked with settlements in foreign currency. In the Southeast Asian countries these companies as a rule have large possibilities of receiving critical foreign exchange and have large local currency funds. The channels of these companies are frequently used by other Chinese firms that have no access to foreign exchange operations in order to smuggle out part of their capital, naturally, upon payment of the corresponding commission.

Access to international settlements in foreign exchange in combination with the organisational links between Chinese companies in various Southeast Asian countries gives the Chinese bourgeoisie additional possibilities for smuggling their capital between the countries of the area and also out of Southeast Asia.

The existence of such operations in the practice of the

Chinese bourgeoisie resident in Malaysia and Singapore is noted by Charles Gamba, who writes that Chinese hoteliers and shipping agents act as bankers, accepting deposits payable in neighbouring countries to the depositors from their working capital in the currency of these countries without any physical movement of currency from country to country. In some cases Chinese businessmen use the foreign exchange autonomy of foreign oil companies, which, upon the receipt of a definite commission, accept deposits from Chinese businessmen in one country and pay them or their addressees in other countries without resorting to the services of the official currency organs.

Moreover, it may be assumed that in the course of the continuing co-operation with leading foreign monopolies the Chinese bourgeoisie has the possibility of using these monopolies for the transfer of capital.

Further, Chinese capital migrates from the Southeast Asian countries through the official representatives of the PRC and the Chiang Kai-shek regime in these countries. There have been innumerable cases where local Chinese businessmen used diplomatic channels for the transfer of large sums abroad by financing the activities of these diplomatic missions in the countries of the area and being reimbursed for this aid in other countries. For the Southeast Asian countries operations of this kind are nothing less than the flight of capital abroad. It is common knowledge, for instance, that the PRC Embassy in Rangoon has fairly wide recourse to such operations. According to the Cambodian weekly *Neak yeat nyum* (*Nationalist*), many Chinese capitalists in Cambodia have exchanged at the PRC Embassy Cambodian riels for Chinese yuans that were then sent to their relatives and friends in China. In each case, the weekly reported, the sum exchanged exceeded several million riels, and there have been cases of these sums reaching 50 million riels (the official rate of exchange being 35 riels per US dollar). According to the press, prior to its closure the PRC Embassy in Cambodia received part of the money for economic aid to that country from local Chinese businessmen.¹⁶

In the Southeast Asian countries Taiwan's official representatives receive from Chinese businessmen fairly large

voluntary donations over and above the entrepreneur investments in the island's economy.

With its large capital that can be quickly withdrawn from circulation, its extensive experience of operations in the gold and foreign exchange black market and its organisational links in and outside the area, the Chinese bourgeoisie is able to manipulate its capital between the Southeast Asian countries and outside the area without any particular difficulty. In the last analysis, this bourgeoisie alone has the necessary connections and experience for co-ordinating its operations in the gold and foreign exchange black market in Southeast Asia and in the leading overseas investment centres. Under these conditions the official ban on the remittance of Chinese capital out of the host countries is in fact unable to prevent the massive flight of that capital when this is desired by the Chinese entrepreneurs.

It may be considered as established that Chinese capital flees from Southeast Asia mainly through extra-legal channels. Inasmuch as since the end of the Second World War family remittances have been and remain the only legal channel for the flight of Chinese capital from Thailand, Malaysia and Singapore and the volume of these remittances can be computed, it is possible to estimate the correlation between legal and extra-legal methods used for the migration of Chinese capital out of Southeast Asia.

As we have noted earlier, the legal remittances to China from some Southeast Asian countries (Thailand, Malaysia and Singapore) have diminished in recent years, amounting to roughly 2,500,000 US dollars annually in the mid-1960s. If it is borne in mind that prior to 1965 the remittances from Southeast Asia to China reached the sum of 100 million US dollars annually, and in subsequent years grew to 180 million US dollars annually, it will be seen that approximately 98 per cent of the remittances from the area went through extra-legal channels.

Thus, in addition to the direct loss suffered by the Southeast Asian countries as a result of the flight of Chinese capital, the Chinese bourgeoisie inflicts on these countries a considerable indirect loss. Practices such as the encouragement of smuggling, active participation in gold and foreign ex-

change operations in the black market, illicit deals with foreign companies and disregard for official regulations governing economic activity undermine the stability of the currencies of the Asian developing countries, disrupt the circulation of money, erode the currency and customs sovereignty of these countries and weaken the steps taken by the governments to promote economic development. It is unquestionable that all these phenomena are inconsistent with the basic interests of the Southeast Asian peoples.

Hongkong, Macao and, to a lesser extent, Singapore remain the principal centres for the accumulation of the capital illegally sent out of the Southeast Asian countries by Chinese businessmen for subsequent transfer to China.

Hongkong has long been a traditional transit point for the movement of the remittances of overseas Chinese from the Southeast Asian countries to China. Before the Second World War up to 90 per cent of all the money from the overseas Chinese found its way to China via Hongkong. After the PRC was formed, Hongkong remained a major channel for the transit of Chinese capital from Southeast Asia to China. The fact that China has no diplomatic or official economic relations with most of the countries of the area and the strict ban imposed on direct economic links with the PRC in the Southeast Asian countries almost totally exclude legal possibilities for direct remittances to China. This circumstance compels Peking and the overseas Chinese to look for roundabout ways of sending money and goods from Southeast Asia to China. In this context Hongkong continues to render invaluable services.

It would be wrong to assume that the extra-legal outflow of capital from Southeast Asia is organised solely by the Chinese bourgeoisie resident in the area. Peking's contribution is very considerable even if it is not very noticeable. By raising all sorts of regulations stimulating the inflow of capital from neighbouring countries to the level of official policy, Peking surreptitiously interferes in the internal affairs of these countries. It should not be forgotten that Peking conducts an active propaganda campaign among PRC-oriented Chinese business circles in Southeast Asia. These circles feel obliged to follow Peking's recommendations. Lastly, China has her own channels ensuring the regular re-

ceipt of remittances from the Chinese bourgeoisie in the neighbouring states.

The Chinese Government has an unobtrusive but ramified and effective network for the mobilisation of the foreign exchange funds of the Chinese residing in Southeast Asia.

The leading role in this respect is played by the Bank of China, which has authority to conduct all sorts of foreign exchange operations in China herself and abroad. Following the nationalisation of the Kuomintang regime's packet of shares in that bank, it was announced in 1950 that it would be a state-private bank with two-thirds of the shares belonging to the PRC Government. The bank's capital was determined at 198,000 million yuans. Outside the PRC the Bank of China is empowered to finance export and import operations, accept deposits, extend and receive credits and render various services to overseas Chinese depositors.

In the initial years following the proclamation of the PRC, the Bank of China had branches in Hongkong, Karachi, Chittagong, Rangoon, Singapore, Kuala Lumpur, Penang, Phnom Penh, Djakarta and Surabaya.

However, the governments of the Southeast Asian countries gradually closed these branches. In 1958, following the reorganisation of the banking system in the Federation of Malaya, the authorities closed the Bank of China branches in Kuala Lumpur and Penang. The same fate overtook that bank's branch in Phnom Penh. With the nationalisation of foreign banks in Burma, the Bank of China had no alternative but to transfer the entire property of its branch in Rangoon to the Revolutionary Council (1963). A year later the bank lost its branches in Djakarta, Surabaya and Medan.

As a result, in the area under discussion the Bank of China now has branches only in Hongkong and Singapore.

During the first years after the Second World War, the Bank of Communications was active in the remittance operations of overseas Chinese. It had branches in Hongkong (where it is still functioning) and in Rangoon (where it was closed in 1963). This bank extended long-term credits to Chinese firms in Southeast Asia. However, in recent years it has practically halted its transactions with Chinese businessmen in Southeast Asia.

The foreign exchange remittance operations of overseas Chinese are handled by another twelve Chinese banks with branches in Hongkong. They are the China and South Sea Bank, the China State Bank, the Kin-Cheng Banking Corporation, the Kwangtung Provincial Bank, the Nanyang Commercial Bank, the National Commercial Bank, the Pao Sheng Bank, the Hsinhua Trust, the Savings and Commercial Bank, Yien Yieh Commercial Bank, the Chiyu Banking Corporation and the Hue Chia Commercial Bank. Altogether, in Hongkong there are branches of 13 Chinese banks.

In addition, a large number of private Chinese firms offering remittance services to overseas Chinese operate in Hongkong. All of them co-ordinate their activities with the PRC state banks, chiefly, the Bank of China.

By agreement with the Bank of China, two British banks—the Hongkong and Shanghai Banking Corporation and the Chartered Bank—with their large network of branches in Southeast Asia likewise handle the remittances of overseas Chinese to China.

Moreover, there are remittance companies and agencies in the Southeast Asian countries themselves. They accept money for remittance in the host countries of the Chinese minorities and then send it through a banking network to the PRC.

Lastly, during the first years after the war the endorsement agencies set up at the turn of the century took some part in the movement of foreign exchange from Southeast Asia to China. After 1949, they were renamed people's trust agencies and specialised in postal remittances from emigrants to relatives in China. These agencies had branches throughout China and enjoyed considerable influence among the Chinese communities in the Southeast Asian countries. By 1950, they had nearly 1,000 overseas branches in the area. Through the overseas branches of its banks the PRC took over control of the entire network of the overseas branches of the endorsement agencies.

These agencies mainly served the requirements of the population of the towns of Szeming (Amoy), Kwangchow (Canton) and Shantou (Swatow). The endorsement bureaus were, perhaps, the only link in the organisational structure for the mobilisation of foreign exchange remittances to China that were abolished following the creation of the PRC. After

March 1, 1950, the authorities in the PRC made it incumbent upon the owners of these bureaus to register and temporarily, pending the formation of new channels for the foreign exchange remittances of overseas Chinese, to operate under the strict control of the appropriate state banks. Their operations were limited to the acceptance and payment of foreign currency remittances. They were ordered to cease the sale and purchase of foreign exchange in China and the smuggling of gold and foreign exchange into and out of China. All their documents pertaining to remittances were inspected by the local banks and they had to submit to these banks daily reports on all their operations. Their "travelling salesmen", too, had to submit detailed reports on their operations in neighbouring countries. For their services the endorsement bureaus began receiving a commission amounting to 0.5 per cent of the total sum involved in their operations. These agencies were closed after 1950 and their functions overseas were taken over by PRC state banks, the banks run by overseas Chinese and remittance agencies in neighbouring countries; in China herself their functions were gradually taken over by post offices and savings banks.

Prior to the war, when Chinese emigrants could travel without any particular restrictions in the Southeast Asian countries, some of the money flowing from the Southeast Asian countries to China and between the countries of the area went through the hands of "travelling salesmen" from among the Chinese emigrants. These salesmen had a good knowledge of the situation in the countries of the area and extensive connections among the Chinese communities in these countries.

From China they usually took to the Southeast Asian countries Chinese-made goods for which there was a stable demand among the Chinese minorities (certain foodstuffs, works of art, books, medicines and other goods). They frequently acted as recruiters of young Chinese wishing to leave their country and find higher paying jobs in the countries of the South Seas or as patrons of such Chinese, helping the latter to find employment in these countries.

From the Southeast Asian countries these traders took to China remittances, parcels and letters. Large sums of money and delicate assignments that for various considerations

could not be sent through the post were entrusted to these salesmen, who travelled in Southeast Asia and the Far East. It is, of course, impossible to establish how much money these salesmen carried across the frontiers of the countries of the area but they must have handled considerable sums because prior to 1949 there were over 1,000 of these "travelling salesmen", many of whom amassed large fortunes quickly.

Today, when currency, customs and immigration restrictions in the countries of the area make the rendering of such services extremely difficult, these "travelling salesmen" have, evidently, become the ringleaders of the smuggling network in the area. To this day they, evidently, continue maintaining a regular flow of fairly considerable sums of foreign exchange to China through extra-legal channels.

An analysis of the organisational structure that ensures the regular movement of large sums in foreign exchange to China from Southeast Asia enables one to draw the conclusion that this structure consists of several heterogeneous elements. The mobilisation of foreign exchange remittances in the Southeast Asian countries begins in the remittance agencies and local private banks belonging, as a rule, to local Chinese businessmen. Through them and also through foreign banks (in Singapore—a branch of the Bank of China), this foreign exchange is transferred to Hongkong, from where through the filter of PRC state banks most of it goes to China.

The skilful combination of long-established banking and traditional Chinese channels for the mobilisation and remittance of foreign exchange allows the PRC to reach every sender of remittances in every Southeast Asian country without a large banking network in the area. It must be admitted that, as a whole, this system works very efficiently and in the long run controls the legal and most of the extra-legal remittances of foreign exchange to the PRC.

Despite the wall of official isolation surrounding China in Southeast Asia, her banks, aided by Peking-oriented Chinese businessmen in the area, collect and secure the remittance of large sums of critical foreign exchange.

The benefits and advantages that their mutual relations give the PRC and the overseas Chinese bourgeoisie in South-

east Asia are derived at the expense of the peoples of that area. From the standpoint of international economic relations the Southeast Asian countries receive no compensation whatsoever from the movement of Chinese capital to China and they bear large losses from the collaboration of the overseas Chinese bourgeoisie with Peking. For China this inflow of Chinese capital is a one-sided exploiting income springing from the orientation of part of the overseas Chinese bourgeoisie towards Peking. For the overseas Chinese bourgeoisie this movement is nothing less than payment to Peking for its patronage. For Southeast Asia the drain of Chinese capital signifies an uncompensated regular large loss that undermines the solvency of the national economies of the Asian developing countries.

Moreover, Peking's special relations with the overseas Chinese bourgeoisie hit the economic policy of the Southeast Asian countries and thereby impair the sovereignty of these countries. It is hard to believe that these countries will reconcile themselves to this phenomenon in their economies.

CONCLUSION

Southeast Asia is today entering a period of major foreign policy decisions that will have far-reaching consequences. The former foreign policy doctrines of the Asian countries urgently require a fundamental revision not in the least because China is returning to the Asian political scene but pursuing different aims.

The Chinese factor, that had earlier occupied a more than modest place in the diplomacy of Southeast Asia on account of Peking's semi-voluntary and semi-compelled self-isolation in the 1960s, today acquires great significance in the foreign policy of the Southeast Asian countries. In that area China today pursues the policy of a power that has isolated itself from the international communist movement in order to achieve the dubious aims of Great-Han nationalism.

The leadership in Peking is undermining socialism's positions in China and its foreign policy is losing the features of socialist foreign policy and acquiring a new, expansionist content that represents a real threat also to China's neighbours. In the light of China's territorial claims on neighbouring states, the traditional character and continuity of her long-term foreign policy, and Peking's latest actions on the international scene, it is not hard to see the nature of the Chinese threat to the peoples of Southeast Asia.

For most of the Southeast Asian countries the attainment of the Great-Han ambitions of Peking would signify the loss or, in any case, the curtailment of national sovereignty and their conversion into helpless satellites of a modernised great Chinese empire.

The content of the Chinese threat to Southeast Asia by no means springs from the nature of the relations between the world socialist community and the national liberation movement, for which the world socialist community is a reliable, natural and principled ally. For that reason there is no threat to the national liberation movement or to any of its individual contingents from the socialist countries. China's Maoist leadership pursues a policy of expansion in Southeast Asia, using socialist phraseology to cover its Great-Han ambitions and discredit the international communist movement and the world socialist community, whose foreign policy has nothing in common with Chinese expansionism in Asia.

China's relatively limited resources, the geographical factor, the existence of economically influential and partially pro-Peking Chinese bourgeoisie in the neighbouring countries give some grounds for assuming that in the immediate future Southeast Asia will be the object of Maoist China's expansionist ambitions.

It may be expected that in the event the countries of the area establish diplomatic relations with China, the latter will sharply activate her propaganda among the exploiting elements of the Chinese minorities and gain control of the overseas Chinese bourgeoisie, as has happened in some Southeast Asian countries with experience of formal relations with Peking. If in spite of the absence of direct contacts with the Southeast Asian countries China has been able to win over a large section of the Chinese bourgeoisie in neighbouring countries and, moreover, regularly receive from it large revenues, following the establishment of diplomatic relations with these countries Peking will consolidate its influence over the overseas Chinese bourgeoisie and set it aims that will be more far-reaching and dangerous to the sovereignty of the Southeast Asian states.

The present process towards the normalisation of China's relations with these countries confirms this conclusion. Whereas in the 1950s, China pursued a policy of peaceful coexistence with her neighbours in Southeast Asia, in the 1960s, she actively employed what her leaders call "people's war" tactics that boil down to outright arbitrary interference in the internal affairs of the independent countries of South-

east Asia. With two or three dubious exceptions, these tactics have not enhanced Peking's influence, much less led to Chinese control in neighbouring countries.

On the contrary, by 1970s, interstate relations between China and the Southeast Asian countries had either not been opened, or been sharply aggravated or even cut short. Such countries of the area as Thailand and the Philippines have had no diplomatic relations with the PRC ever since it was proclaimed and forbidden their citizens to have any contact with China. In the case of Malaysia and Singapore, while they maintained trade relations with Peking they did not establish diplomatic relations with it. Indonesia had fairly broad links with China prior to 1967, when they were suspended by Indonesia on account of Peking's complicity in the events of September 30, 1965. For a number of years, as a result of the excesses in Rangoon springing from the "cultural revolution", Burma refused to normalise relations with China. Relations were restored only in 1971. China's relations with Laos and Cambodia remain cool. In effect, most of the Southeast Asian states have closed their doors to China, fearing her subversive activities on their territories.

In combination with China's tense relations with some states in South Asia, her isolation in Southeast Asia is most unfavourably impressing African and Latin American developing states inasmuch as in shaping their relations with her they are keeping an eye on the experience of China's Asian neighbours, where the actual aims of Peking's foreign policy and methods relative to the national liberation movement have been most fully brought to light. What question can there be of Peking's leadership of the developing states when it has been unable to promote interstate relations even with its neighbours in Asia? The unsettled state of China's relations with the Southeast Asian countries casts doubt on the sincerity of Peking's proclaimed intentions towards all developing states.

On the other hand, isolation impedes the attainment of the Maoist leadership's Great-Power ambitions even in Southeast Asia since the absence of direct commercial and diplomatic relations with the major countries of the area deprives the Maoists of many means of influencing neighbouring Asian

states. In particular, in the situation obtaining today Maoist diplomacy cannot make full use of a trump such as the overseas Chinese bourgeoisie. Peking would have liked to make more active use of that bourgeoisie in its drive for supremacy in the area, but it cannot achieve this aim without opening Chinese embassies and consulates in the Southeast Asian countries.

Lastly, the reduction of the US military presence in Southeast Asia essentially changes the situation in the area and, as the Maoist diplomats calculate, affords China new possibilities of carrying out her Great-Power plans on her southern frontiers.

In this situation Peking has found it profitable to offer to normalise its relations with the Southeast Asian countries on the basis of the principles of peaceful coexistence, which only yesterday it had branded as untenable and unsuitable. Chinese diplomacy is particularly interested in establishing and promoting relations with countries that are members of the Association of Southeast Asian Nations, namely, Malaysia, Indonesia, Singapore, Thailand and the Philippines. When ASEAN was formed, one of its tacit, but clear-cut aims was to check China's expansion in the south. This aspect of ASEAN's activities is seen distinctly to this day in the carefully co-ordinated policy of its member-states towards China. Since 1972, the five countries of that Association have been exchanging information regarding the contacts of their representatives with the Chinese and on their intentions relative to the normalisation of their relations with China. True, this co-ordination of the Association's Chinese policy does not rule out distinctions in the attitude to China of its member-states. These distinctions became manifest during the voting on the question of China's admission to the UN. On this question Malaysia and Singapore favoured China's admission, the Philippines voted against this move, while Indonesia and Thailand abstained from voting.

Acting on the principle that a "lean peace is better than an open quarrel", the Southeast Asian countries responded favourably to the Chinese proposal for the normalisation of interstate relations. Taking into account the reality of China's appearance on the Asian political scene after the Nixon visit to the PRC, these countries recognised that it

was necessary to modernise their foreign policy doctrines (that had been oriented mainly towards the USA) by establishing diplomatic relations with Peking. They hope that by normalising relations with China they can put an end to Peking's interference in the internal affairs of some states in the area, direct Peking's foreign policy actions into the channel of official diplomatic practice that is more easily controlled by the authorities and thereby stabilise the political situation in the area.

They feel that China's active participation in the area's affairs will enable them to expand their commercial links and stabilise their balances of payments. However, by and large, political and not economic motivations remain predominant in the attitude of the Southeast Asian countries to the normalisation of relations with China. Many Asian leaders make no secret of their apprehensions regarding Peking's probable expansionist intentions in Southeast Asia and would like to fetter these ambitions of Maoist diplomacy by normalising relations with China. They feel that this is urgent, especially after the termination of the war in Indochina, fearing the spread of the Peking-inspired guerrilla movement to Thailand, Western Malaysia and even Singapore.

After China regained her seat in the UN and especially after the Nixon visit to the PRC in February 1972 Asian diplomats began to enter into secret contact with China's representatives at the UN Headquarters on the question of normalising diplomatic relations between China and the Southeast Asian countries. The ping-pong diplomacy was initiated at the same time, consisting of a fairly active exchange of delegations of sportsmen, businessmen and experts between China and some Southeast Asian states. In some cases these were the first post-war unofficial contacts with Chinese representatives. As a rule, these delegations included high-ranking officials of the diplomatic, foreign trade and other government departments with assignments to discuss the difficult problem of normalising relations between China and the Asian countries. This diplomacy was conducted on a particularly large scale between China, on the one hand, and Thailand, Malaysia, Singapore and the Philippines, on the other.

In the course of this diplomacy the sides ascertained each other's attitude to the normalisation of interstate relations and drew up a time-table of measures designed to achieve that purpose.

Of the ASEAN countries, Malaysia took the initiative in normalising relations with China. Her leaders felt it was "unrealistic to contemplate a future without accepting the existence and role of China".¹ The Southeast Asian countries cannot ignore relations with a Great Power, especially if it is their neighbour. Another reason why the normalisation of relations with China is quite natural and opportune is that most countries of the world today maintain relations with her. Moreover, the normalisation of relations is necessary for the successful implementation of Malaysia's proposal for a Southeast Asian policy of non-alignment, which is inconceivable without guarantees from China. At the talks between Malaysian and Chinese representatives at the UN Headquarters in New York and during reciprocal unofficial visits by delegations of the two countries an understanding was reached on the establishment of diplomatic relations in 1973. However, Malaysia has somewhat slowed down the process of normalisation as she does not wish to march "too far ahead of its ASEAN partners"².

The impression is gained that Thailand, which had initially been one of the most adamant ASEAN opponents of normal relations with China, is now speeding up the establishment of diplomatic relations with Peking.

Commenting on this sharp turn in Thai foreign policy, the *Bangkok Post* wrote: "The relationship eventually established between China and Thailand will be an essential cornerstone of any viable era of peace in Southeast Asia and probably throughout Asia. To the Chinese today, Thailand must still appear to be locked securely within the American sphere of influence. This special friendship between the United States and Thailand has served both parties well during a period when our national security seemed severely threatened and the Americans needed help to fulfil their own obligations to what is known as the 'free world'. But today the United States' military involvement in Indochina is rapidly being concluded with or without Mr. Nixon's specific personal approval. This situation leaves Thailand very much out

on a limb and our diplomatic overtures towards Peking are a direct result. But there is a time element entering the scenario which is perhaps at the moment being underestimated by our Government. This is a divergence of interests between Thailand and the US and it is an accelerating one.

"Our Government is faced with the decision whether or not to increase the rate of this divergence unilaterally ... or of continuing to go along with the United States. A decision along these lines will not be an easy one but it must be faced. China is now an overwhelming reality in the strategic thinking of Asian governments. It is time for us to recognise this and act accordingly."³

Thailand's new civilian administration regards the normalisation of relations with China as one of its immediate foreign policy aims and is making further concessions to China in order to remove obstacles. It is expected that Thailand and China will establish diplomatic relations in the near future.

The Filipino Government is displaying serious doubts about the expediency of speedily normalising relations with China and is proceeding cautiously in this matter.

In principle, Indonesia, which had "suspended" diplomatic relations with China in October 1967, favours the normalisation of relations, but likewise prefers not to hasten developments. At first she insisted that Peking cease its subversive activities on Indonesian territory (Western Kalimantan), where the guerrillas are supplied with weapons, on the closure of a radio station operating on Chinese territory and broadcasting propaganda against the Indonesian Government, and on Peking renouncing its support for a group of Indonesian Communists residing in Peking. Today the Indonesian Government is only insisting that Peking cut short its support for the Indonesian Communists who had emigrated to China. In March 1973, Indonesian President Suharto declared that "even with the People's Republic of China ... we are willing to resume diplomatic relations provided they really demonstrate a friendly attitude to us, are not hostile to us and cease to render assistance to former PKI (Indonesian Communist Party) leaders who are positively involved in the rebellion".⁴ In June 1973, Indonesian Foreign Minister Adam Malik said: "If China

has met all the requirements and internal conditions permit it, it is proper that relations between the two countries be resumed.... We want to have relations with all countries, provided those countries are not hostile to us."⁵

It seems that Singapore has the least problems in normalising relations with China. Nevertheless, Singapore adheres to the most cautious time-table of normalising its relations with China. Singapore considers the normalisation of these relations inevitable and wishes to avoid arousing the suspicions of its neighbours by haste in its Chinese policy. In May 1973, Prime Minister Lee Kuan Yew said: "I want to give my neighbours the honour of being first to establish diplomatic relations."⁶ In November of the same year, he was more explicit on this point, saying that Singapore would recognise China only after that had been done by the other ASEAN member-states, because Indonesia, Malaysia and Thailand suspected Singapore of being a third China. Indeed, some countries of the area are convinced that after normalising relations with China Singapore may become a new springboard for Chinese expansion in Southeast Asia. Motivating Singapore's stand on this issue, Foreign Minister S. Rajaratnam declared that any hasty establishment of diplomatic relations with China might restrict the flexibility of Singapore's foreign policy and add fuel to the suspicion of its neighbours that it is a "third China".

The ping-pong diplomacy brought to light the fact that China had serious differences with the Southeast Asian countries, which declared that relations with China cannot be normalised unless Peking firmly and unequivocally halted its material and ideological assistance to the guerrilla movements in Southeast Asia. Thai, Malaysian, Filipino and Indonesian representatives maintain that they have irrefutable evidence proving that Peking is interfering in the internal affairs of their countries by rendering aid to the guerrilla movements, encouraging the activities of the radio stations broadcasting hostile propaganda from Chinese territory and affording political asylum to opponents of the governments of Southeast Asian countries. Thai representatives have asserted that the anti-government guerrilla movement in the northeast of their country is inspired and supplied from China and that the radio station Voice of the

Thai People broadcasts from Chinese territory. Malaysian leaders have declared that the guerrilla movement on the frontier between Thailand and Malaysia and in Eastern Malaysia receives aid from Peking. In their opinion the radio station Voice of the Malayan Revolution conducts its anti-government broadcasts from South China. Similar accusations have been hurled at Peking by representatives of Indonesia and the Philippines. The same is said in somewhat abstract form by Singapore, whose Defence Minister Dr. Goh Keng Swee declared: "The Chinese leaders while they assure Asian leaders that they will always maintain correct government-to-government relations, they never fail to point out that there are other kinds of relations (people-to-people and party-to-party). It will be through this kind of relations that support for insurgencies will be provided. Such support will take the form of weapons, money and training."⁷

During a visit to China by a Thai sports delegation in October 1972 Chou En-lai stated in vague terms that China would not interfere in the internal affairs of other states. On the whole China insists on the removal of this question from the agenda of the preliminary negotiations.

This attitude has induced Asian leaders to make some concessions to Peking but they are not removing the question of Peking renouncing interference in the internal affairs of Asian countries from the agenda. "Our Government," wrote the *Bangkok Post*, "which has been very cautious in its approach to Peking, is still not letting its guard down.... Our Government is still concerned over Chinese support for the Communist insurgents in this country and for the Voice of the Thai People radio station...."⁸

The civilian administration that replaced the Kittikachorn military dictatorship in the autumn of 1973 went further and removed the condition on the cessation of China's support for Thai guerrillas and for the anti-Thai broadcasts by a radio station on Chinese territory. The new Government believes that Thailand and China can normalise their relations despite ideological differences provided both sides agree not to interfere in each other's affairs.

This approach will, of course, accelerate the normalisation of Thai-Chinese relations, but this will be achieved at the

expense of Thailand's national interests. In Malaysia they are now asserting that guerrilla activity depends in many ways on the state of the relations between the Malay and Chinese groups of the population, that a successful settlement of these relations would make it possible to contain guerrilla activity at a manageable level. The Indonesian Government has likewise somewhat modified its stand on this issue. Essentially speaking, Indonesia now only insists that Peking stop its support for the ICP leaders living as émigrés in Peking.

It would seem that in discussing a question of such vital significance to the sovereignty of the Southeast Asian countries half-measures cannot be regarded as adequate, for otherwise with China's entry into Southeast Asia these countries will meet with further, still more flagrant acts of interference by Peking in their internal affairs.

In face of the co-ordinated stand on this question by the countries of the area Peking was in the end compelled to give official assurances that in future it would not support the guerrilla movement. However, Peking has other channels for interfering in the affairs of neighbouring countries. In Southeast Asia Peking has massive support among the 13-million-strong Chinese minority.

The Southeast Asian countries fear that the appearance of Chinese embassies and consulates in their capitals will quickly lead to the subordination of the local Chinese minorities, particularly their exploiting elements, to control by Peking and that this will facilitate various subversive actions with the support of these minorities and aggravate the political situation in these countries. The Asian press holds the view that China's advent in Southeast Asia will foster pro-Peking feeling among the local Chinese minorities and that Peking will not fail to utilise this circumstance to move towards the attainment of its hegemonistic ambitions in the area. Even today, when Peking has not yet normalised its relations with the Southeast Asian countries, it uses its special relations with the local Chinese bourgeoisie to receive from it nearly 180 million US dollars annually in the shape of family remittances, investments and other contributions. These 180 million US dollars are an uncompensated loss to the economy of Southeast Asia. It must be expected

that when Chinese embassies are opened in neighbouring countries they will demand from the local bourgeoisie not only an increase of these remittances but something more.

Some experts on China consider that the overseas Chinese might be used "with the purpose of overthrowing established governments ... or to create civil disorder", and further that they might be "instructed to provide such movements with money, supplies, intelligence, refuge and facilities for distributing propaganda ... to mobilise popular opinion against established governments, or to influence governments to support China's policies or to oppose what was considered detrimental to China's interests in the countries of residence".⁹

This question was raised in the negotiations on the establishment of normal relations with China, but the Chinese representatives gave no satisfactory guarantees that could allay the anxiety of the neighbouring Asian countries on this score. In a talk with Adam Malik, the Minister for Foreign Affairs of Indonesia, at the Paris Conference on Vietnam the Chinese representative confined himself to the statement that the Overseas Chinese Affairs Committee in Peking had been disbanded. However, it is no secret that China's enormous bureaucratic machine has an adequate number of subdivisions that can continue the functions of the disbanded Overseas Chinese Affairs Committee. Even Malaysia, which has progressed farther than any other country of the area towards the normalisation of relations with China, cannot rid herself of gloomy reflection over this complex problem. The *Straits Times* wrote that "there is understandable concern which the abolishment of Peking's Bureau of Overseas Chinese has not banished".¹⁰

In its recent appeals to the Chinese living in Southeast Asia Peking has been urging them to abide strictly by the laws of the host countries and adopt local citizenship, but this is fooling nobody: in the past there have been many instances where in what it believed were promising situations Peking gave the overseas Chinese instructions of a different kind and the overseas Chinese made every effort to carry out these instructions.

The course of the ping-pong diplomacy demonstrated that the Chinese minorities in Southeast Asia warmly welcome

Chinese delegations, urge their countries of residence to normalise relations with China at the earliest possible date, are prepared to join in the direct trade of these countries with China as agents of Chinese foreign trade organisations and activate their co-operation with Peking. This brings observers to the conclusion that with China's appearance in Southeast Asia the problem of the relations between the Chinese minorities and the population of the host countries will be rather aggravated than settled. In its geopolitical game in Southeast Asia Peking will not fail to use its trump, namely the Chinese bourgeoisie residing in the area. It is quite naturally evading a detailed discussion of its future policy in this question with the interested countries of the area. China's actions indicate that her intentions are dangerous to Southeast Asia.

Lately Peking has been energetically planting agents in the Southeast Asian countries via Hongkong. Over 50,000 emigrants went to Hongkong in 1973 with the approval of the Chinese authorities. Most of these emigrants were repatriates who had returned to China at the close of the 1950s and the early 1960s from Indonesia, Malaysia, the Philippines and other countries of the area and received the necessary training. Most were under 40 and had been active in the "cultural revolution". Thus, prior to the establishment of diplomatic relations with the Southeast Asian countries Peking is seeking to infiltrate its emissaries into the Chinese minorities in neighbouring countries in order to use them in its future work among these minorities.

To facilitate this infiltration into Southeast Asia Peking is now insisting on setting up a diplomatic mission in Hongkong, the object being to organise the illegal entry of its emissaries into neighbouring countries via Hongkong.

Peking is pushing this activity because after its relations with the Southeast Asian countries are normalised actions of this kind will be qualified as open interference in the internal affairs of other states and will elicit protests from these countries. This is something it wishes to avoid.

Peking quite obviously has no intention of renouncing its interference in the internal affairs of neighbouring countries nor its attempts to use the overseas Chinese bourgeoisie for the attainment of its hegemonistic ambitions. Facts demon-

strate that, on the contrary, Peking is determined to harden its pressure on the countries of Southeast Asia.

Thus, over this question, too, serious differences remain between Peking and the countries of the area.

Difficulties are arising also in trade relations.

The Southeast Asian countries are eager to have direct commercial relations with China. In view of the Chinese market's huge possibilities, they would like to increase their exports of traditional and new goods to China and, therefore, develop their own export trade. Moreover, they hope to buy Chinese goods at lower prices and use the factor of competition in their own markets, which today are controlled by Japanese, US and West European monopolies. With the establishment of direct commerce with China they link their hopes of improving the state of their balances of payments. They intend to deprive the Hongkong and Singapore middlemen, who today handle their export and import operations with China, of commission and thereby more fully benefit by the international division of labour. At the preliminary talks their representatives expressed the wish that trade with China should have a balanced basis, without any essential deficit arising for either side from export and import operations. They hold that foreign trade transactions with China should be handled by local state foreign trade companies that would have the monopoly or, at least, the right to regulate these transactions.

In this question, too, essential differences came to light between the representatives of the Southeast Asian countries and China.

In these countries China has the support of innumerable Chinese commercial firms that are prepared to co-operate closely in the promotion of Chinese goods in the local markets. It may be expected that after the bans and restrictions on the import of Chinese goods into Southeast Asia are lifted these Chinese firms will ensure a rapid growth of China's exports to these countries. Even in the obtaining situation this may lead and, in some cases, is already leading to a large deficit in the trade of these countries with China. In this case the hopes that these countries entertain of benefiting by direct trade with China may give way to undisguised disappointment or even large foreign exchange losses.

Further, one should not discount the probability of Peking enhancing its political influence over the local Chinese bourgeoisie as a result of close business contacts with them.

A scrutiny will show that many seemingly obvious benefits from direct trade with China prove to be not so obvious. In the opinion of the Thai press, Thailand does not have too many commodities which China wants and which she cannot purchase in other markets. For instance, in the export of tin and rubber Thailand has a competitor in Malaysia, while as regards rice, which is Thailand's main export item, China is sooner a self-sufficing country. In any case she has frequently exported rice to such a traditional purchaser of Thai rice as Hongkong. The doubtful hopes for a growth of export revenue from trade with China are by no means compensated by the prospect of Chinese goods flooding the markets of Southeast Asia.

Peking is having wide recourse to other methods of hastening its entry into Southeast Asia on a legal, agreement-backed foundation. It officially approves the activities of the Association of Southeast Asian Nations, whose member-states have no diplomatic relations with China to this day and formerly favoured giving ASEAN an anti-Chinese orientation. It supports the stand adopted by Malaysia and Indonesia on the question of the utilisation of the Strait of Malacca and has finally appeared in the UN Economic Commission for Asia and the Far East where it is showering dubious compliments on the Asian developing states. Lastly, it misses no opportunity to benefit by the economic difficulties of the Southeast Asian countries and use these difficulties to draw them closer to China. In view of the increase of charter rates by foreign shipowners for the transport of export freight from the Southeast Asian countries, Peking is offering its ships at lower rates to Malaysia, Singapore and the Philippines. Last year it offered rice to Indonesia and the Philippines that experienced food shortages. At present, in face of the growing energy crisis it is offering oil to interested Asian states. It is common knowledge that Peking cannot boast of large resources in these commodities and services and this predetermines the temporary nature of these actions. Nonetheless, in order to make a political impression and hasten the attainment of normal relations with the

Southeast Asian countries it embarks on actions that engender an exaggerated illusion among neighbouring states regarding China's potentialities for economic relations with these states.

However, even today while the ground is being laid for normal relations with the Southeast Asian countries Peking is displaying a Great-Power approach to the problems of its neighbours, interferes in their internal affairs and engages in blackmail. This approach is clearly manifested in the talks on the question of its interference in the internal affairs of neighbouring states. There are other examples. For instance, the Chinese cut short the earlier planned contacts with Thailand after they failed to secure the complete annulment of Decree No. 53 that bans contacts between Thai and Chinese organisations and citizens. They regard the amendments to the decree as inadequate and hostile towards the PRC. It will be recalled that Thailand recently reconsidered this decree and now allows such contacts provided permission is obtained from the authorities. Even at that stage this seemed not enough to Peking and it openly ignored the Thai authorities. Is this not interference in the internal affairs of Thailand?

Chinese diplomats act with similar high-handedness in demanding that the Southeast Asian countries sever all their relations with Taiwan. The Soviet stand on the Taiwan problem is well known, but here we are not concerned with Taiwan. However, one cannot overlook the fact that Peking is demanding the immediate and total cessation of the Southeast Asian countries' fairly broad relations with Taiwan with complete disregard for the consequences of such a step to these countries. In order to ensure effective control of commercial transactions with China the governments of the Southeast Asian countries intend to have all export and import operations with China handled by specially formed state commercial firms. Such firms have already been set up in Malaysia (Pernas), Singapore (Intraco) and the Philippines (Netracor). A state-operated firm for trade with China is shortly to be formed also in Thailand. As planned by the authorities, these firms are to have the monopoly over export and import transactions with Chinese foreign trade organisations. Practice shows, however, that with the exis-

tence of a strong pro-Peking lobby in the foreign trade of the Southeast Asian countries China has no intention of abiding by these regulations governing her commercial relations in the area. A case in point is the spring exhibit in Kwangchow (Canton) in April 1972, when the Chinese demonstratively ignored the intention of Pernas, the Malaysian state corporation, to monopolise the import of Chinese goods into Malaysia, signing with it contracts amounting to only two million Malay dollars, while the transactions with private Malaysian companies totalled 16 million Malay dollars. Moreover, representatives of China's foreign trade organisations declared that they would not rupture business contacts with the Chinese firms traditionally engaged in importing Chinese goods into Malaysia. This in fact signified China's refusal to recognise the right of the Pernas corporation to monopolise the marketing of Chinese goods in Malaysia. A similar attitude was adopted by the Chinese when the Thai Government decided to place the monopoly over export and import transactions with China in the hands of a state commercial firm set up for this purpose.

For tactical reasons Peking does not yet raise the question of its territorial claims in Southeast Asia, but the leaders of the countries in the area should not for a moment forget the existence in Peking of maps where the whole of continental Southeast Asia and some of the islands are marked as Chinese territory.

It is a fact that China continues to interfere in the internal affairs of her neighbours and, as was shown by the preliminary negotiations in the course of the ping-pong diplomacy, gives no guarantee that she will halt this interference in the future. It must be expected that after Peking appears in the area it will have the possibility of establishing direct contact with the local Chinese bourgeoisie and utilise it for its own ends. It cannot be denied that already now Maoist diplomacy is endeavouring to speak with representatives of the Southeast Asian countries from a position of strength in order to derive the greatest possible benefit from the settlement of the problems under discussion.

A bourgeois expert on Chinese affairs has offered the view that the "minimum objective of Chinese foreign policy in Southeast Asia might be described as a situation in which

China can coexist with all countries in the region. At one end of the scale this means a series of communist governments subservient, or at least sympathetic to Peking and Peking's view of the world. At the other, it means diplomatic recognition from and trade with governments which might be non-communist, but which are prepared to coexist with China".¹¹ In a situation where it is isolated in Southeast Asia Maoist diplomacy, naturally, pursues the moderate aim of normalising relations with neighbouring countries, but who can guarantee that when that is achieved China will not go farther?

It is not difficult to forecast that after relations with the countries of the area are normalised Peking will bring greater and harder pressure to bear on these countries in order to gain unilateral concessions from them. The world is on the eve of witnessing a new phase of Peking's drive to turn Southeast Asia into a sphere of Chinese influence. An important role in this programme is invariably accorded to the overseas Chinese bourgeoisie.

NOTES AND REFERENCES

Introduction

1. *The Asian*, Hongkong, March 5-11, 1972.

Chapter One. Chinese Capital in the Economy of Southeast Asia

1. Yu Chun-shun, "On the Question of the Total Chinese Capital", *Azia Keizai*, Vol. VII, Nos. 1-2, January-February 1966.
2. C. F. Remer, *Foreign Investments in China*, New York, 1933, p. 226.
3. *Ibid.*, p. 223.
4. *Azia Keizai*, Vol. VII, No. 1, January 1966, pp. 33-48.
5. Helmut G. Callis, *Foreign Capital in Southeast Asia*, New York, 1942, p. 5.
6. *Ibid.*, pp. 5, 69.
7. *UN Economic Survey of Asia and the Far East*, 1950, New York, 1951, p. 56.
8. *Azia Keizai*, Vol. VII, No. 1, January 1966, p. 33.
9. Helmut G. Callis, op. cit., pp. 21, 33, 69, 85, 96; *UN Economic Survey of Asia and the Far East*, 1950, New York, 1951, p. 57; *Azia Keizai*, Vol. VII, Nos. 1-2, January-February 1966.
10. William E. Willmott, *The Chinese in Cambodia*, 1967, Vancouver, pp. 53-54.
11. L. L. Klochkovsky, *Imperializm i ekonomicheskaya nezavisimost. Problema ekonomicheskikh otnoshenii so stranami Yugo-Vostochnoi Azii*, Moscow, 1971, p. 13.
12. *Documents on China's Relations with South and Southeast Asia (1949-62)*, edited by C. V. Ambekar and V. D. Divekar, Bombay, 1964, p. 229.
13. *Ibid.*, p. 252.
14. *Krupnyi kapital i monopolii stran Azii*, edited by A. I. Levkovsky and Y. N. Rozaliev, Moscow, 1970; G. G. Sochevko, *Sovremennaya Kambodja (1941-65)*, Moscow, 1967; L. F. Pakhomova, *Nat-*

sionalnyi kapital v ekonomike Indonezii, Moscow, 1966; N. V. Rebrikova, *Ocherki novoi istorii Tailanda (1868-1917)*, Moscow, 1966; N. A. Savelyev, *Natsionalnaya burzhuaia v stranakh Azii*, 1968; O. G. Baryshnikova, *Filippinskaya natsionalnaya burzhuaia v borbe za nezavisimuyu vneshniyu torgovlyu*, Moscow, 1962. With the exception of N. A. Savelyev and O. G. Baryshnikova, these authors regard Chinese capital as national or compradore relative to the Southeast Asian countries. The two latter authors concede that part of the Chinese capital functioning in the area may be qualified as foreign capital but, regretfully, do not offer a detailed argument in favour of this important thesis.

15. V. I. Lenin, *Collected Works*, Vol. 21, p. 303.
16. Karl Marx, *Capital*, Moscow, 1974, Vol. I, p. 704.
17. V. I. Lenin, *Collected Works*, Vol. 22, p. 241.

Chapter Two. Basis of the Alliance Between Peking and the Overseas Chinese Bourgeoisie

1. Wu Chun-hsi, *Dollars, Dependents and Dogma. Overseas Chinese Remittances to Communist China*, Stanford, 1967, p. 83.
2. A. D. Barnett, *Communist China and Asia*, New York, 1960, p. 186.
3. *Druzhba* (organ of the Sino-Soviet Friendship Society), September 8, 1956.
4. *Far Eastern Economic Review*, Hongkong, October 1955, p. 418.
5. Lu Yu-sun, *Communist China Problem. Research Series. Programmes of Communist China for Overseas Chinese*, Hongkong, 1955, p. 28.
6. *Druzhba*, September 8, 1956.
7. L. E. Williams, *Overseas Chinese Nationalism. The Genesis of the Pan-Chinese Movement in Indonesia, 1900-16*, Glencoe, 1960, p. 3.
8. D. Insor, *Thailand. A Political, Social and Economic Analysis*, London, 1965, p. 135.
9. A. Barnett, op. cit., p. 199.
10. *The Asian*, March 26-April 1, 1972.
11. L. A. Mills, *Southeast Asia. Illusion and Reality in Politics and Economics*, Minneapolis, 1964, pp. 122, 131.
12. *Antara. Financial and Economic News*, Djakarta, August 26, 1967.

Chapter Three. Peking Exploits Southeast Asia

1. C. F. Remer, op. cit. p. 177.
2. Ibid, p. 224.
3. Ta Chen, *Chinese Migrations, With Special Reference to Labor Conditions*, Washington, 1923, p. 161.
4. Wu Chun-hsi, op. cit., p. 22.

5. *Economic Development in China and Chinese Emigration*, Tokyo, 1960, p. 25 (in Japanese).
6. Lu Yu-sun, op. cit., pp. 68-69.
7. *Far Eastern Economic Review*, November 19, 1954, p. 684.
8. Robert S. Elegant, *The Dragon's Seed. Peking and the Overseas Chinese*, New York, 1959, p. 28.
9. Wu Chun-hsi, op. cit., pp. 178-80.
10. *Far Eastern Economic Review*, October 6, 1955, p. 420.
11. *Far Eastern Economic Review*, November 25, 1954, pp. 684-85.
12. R. S. Elegant, op. cit., p. 28.
13. In the early 1960s, when some investors were already thinking of withdrawing their capital from PRC state enterprises this addition was adopted in order to halt the drain of overseas Chinese capital.
14. 1958 *Pick's Currency Yearbook*, New York, 1959, p. 87; *Far Eastern Economic Review*, October 6, 1955, p. 420; *Chingchi Taopao*, 1963, No. 5; Tadao Miyashita, *The Currency and Financial System of Mainland China*, Tokyo, 1966, pp. 121-22; Wu Chun-hsi, op. cit., p. 56.
15. *Druzhba*, September 8, 1956.
16. *Far Eastern Economic Review*, July 4, 1963, p. 6.
17. *Economic Development in China and Chinese Emigration*, p. 50 (in Japanese).
18. V. Thompson, R. Adloff, *Minority Problems in Southeast Asia*, Stanford, 1955, p. 13; *China Handbook 1952/53*, Taipeh, 1954, p. 448.
19. Wu Chun-hsi, op. cit., p. 73; 1962 *Pick's Currency Yearbook*, 1963, p. 104.
20. S. Chandrasekhar, *Communist China Today*, Bombay, 1961, pp. 155-56.
21. Wu Chun-hsi, op. cit., p. 22.
22. *Far Eastern Economic Review*, June 20, 1963, p. 695; *Business Abroad*, February 8, 1965, p. 15; 1966 *Pick's Currency Yearbook*, 1967, p. 227; 1968 *Pick's Currency Yearbook*, 1969, p. 248; 1971 *Pick's Currency Yearbook*, 1971, p. 127.

Chapter Four. In Violation of National Sovereignty

1. *Proceedings of the United Nations Conference on Trade and Development*, Geneva, March 23-June 16, 1964, Vol. V, New York, 1964, p. 350.
2. True, after Singapore's withdrawal from the Federation of Malaysia in August 1965, the island republic's Government lifted all restrictions on the movement of local Chinese capital, but in Singapore there is rather an inflow of Chinese capital from neighbouring states than its flight from the island. As regards Chinese businessmen in other countries, before transferring their capital

from Singapore they must first take it to the republic from their host countries, in other words, make use of extra-legal channels. For that reason, the liberal regulations governing the movement of capital in the republic are not changing the correlation between the legal and extra-legal methods of transferring Chinese capital in the process of its flight from the host countries.

3. *Report of the Revolutionary Council to the People on the Budget Estimates of the Revolutionary Government of the Union of Burma for 1963/64*, Rangoon, 1963, p. 65.
4. Wu Chun-hsi, op. cit., p. 28.
5. G. Jain, *Chinese "Panchasheela" in Burma*, Bombay, 1966, p. 34.
6. Ju Kang-tien, *The Chinese of Sarawak: A Study of Social Structure*, London, 1956, p. 83.
7. *Singapore. Legislative Assembly. The External Trade and Balance of Payments of Singapore, 1956*, Singapore, 1967, p. 12.
8. *Kajian Ekonomi Malaysia*, Vol. III, No. 2, December 1966, pp. 96-97.
9. *Far Eastern Economic Review*, June 11, 1964, p. 551.
10. Go Ju Shy, *An Analysis of Chinese Emigration*, Tokyo, 1961, pp. 268-70 (in Japanese).
11. *Working People's Daily*, April 5, 1967.
12. *Far Eastern Economic Review*, January 23, 1964, p. 178.
13. V. Thompson, R. Adloff, op. cit., p. 6.
14. Computed according to 1966 *Pick's Currency Yearbook*, 1967.
15. Wong Po-shang, *The Influx of Chinese Capital into Hongkong Since 1937*. A paper read on the Contemporary China seminar, Economic and Political Department, University of Hongkong, May 15, 1958, p. 11.
16. *Asie Nouvelle*, 1965, Nos. 177-178, p. 157.

Conclusion

1. *Straits Times*, Kuala Lumpur, April 6, 1973.
2. *Ibid.*
3. *Bangkok Post*, July 27, 1973.
4. *Straits Times*, March 13, 1973.
5. *Far Eastern Economic Review*, October 1, 1973, p. 31.
6. *Ibid.*, p. 36.
7. *Ibid.*
8. *Bangkok Post*, July 2, 1973, p. 5.
9. Stephen Fitzgerald, *China and the Overseas Chinese. A Study of Peking's Changing Policy, 1949-1970*, Cambridge, 1972, pp. 189-90.
10. *Straits Times*, April 6, 1973.
11. S. Fitzgerald, op. cit., p. 189.

Request to Readers

Progress Publishers would be glad to have your opinion of this book, its translation and design and any suggestions you may have for future publications.

Please send your comments to 21, Zubovsky Boulevard, Moscow, USSR.

PROGRESS PUBLISHERS

Put out recently:

Progress. Current Problems Series

KUZNETSOV V. Economic Integration: Two Approaches

The author, an expert in international relations, analyses the political and legal aspects of socialist economic integration, discusses its objectives and principles, forms of organisation, cardinal difference from West European economic integration. The basic propositions are illustrated with conclusive examples. There is a detailed analysis of the importance of socialist integration for other countries of the world, the possibilities and forms of their co-operation with the socialist countries.

The book, which deals with serious political and scientific problems, is written in plain language.

PROGRESS PUBLISHERS

Put out recently:

*The international Communist
and Working Class Movement Series*

The Revolutionary Movement of
Our Time and Nationalism

The book exposes nationalism as one of the most dangerous counter-revolutionary weapons used by modern imperialism to split the progressive and democratic forces on all continents. There is a wealth of factual material to reveal the causes of the emergence and historical varieties of nationalism, its structural elements, including nationalistic psychology. The book convincingly explains why nationalism has become a major obstacle in the way of revolutionary progress. The monograph analyses the ways and means of overcoming nationalist deviations in the contemporary revolutionary process.

PROGRESS PUBLISHERS

Put out recently:

*Progress. Problems of the Third
World Series*

BRUTENTS K. National Liberation
Revolutions Today
In two parts

This book by the eminent Soviet journalist and specialist on international affairs regards national liberation revolutions as revolutions of a special type in the world liberation movement. The author examines their social, economic, political and ideological specifics, the internal and international conditions of their development, and motive forces and allies. Great attention is paid to the theory and experience of non-capitalist development and the socialist system's role in activating and realising the progressive tendencies of the national liberation struggle. The book gives a detailed criticism of imperialist attempts to impede the developing countries' progress. The latest revisionist concepts of the world revolutionary process are also criticised.